

# **VERMONT**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

***For the fiscal year ending JUNE 30, 2007***

The cover picture was provided by Linda Morse of Middlesex, VT.

*STATE OF VERMONT*

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

*For the fiscal year ending JUNE 30, 2007*



*James H. Douglas*  
**Governor**

*Prepared by the Department of Finance and Management*

**STATE OF VERMONT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	PAGE
<b>INTRODUCTION (Unaudited)</b>	
Title page.....	1
Table of Contents.....	2 - 4
Letter of Transmittal.....	5 - 7
Organization Chart.....	8 - 9
Selected State Officials.....	10
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	12 - 14
Management's Discussion and Analysis (Unaudited).....	15 - 29
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets.....	34 - 35
Statement of Activities.....	36 - 37
Governmental Funds Financial Statements	
Balance Sheet.....	40 - 41
Reconciliation of Governmental Fund Balances to the Statement of Net Assets - Governmental Activities.....	42
Statement of Revenues, Expenditures and Changes in Fund Balances.....	44 - 45
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances -Governmental Funds to the Statement of Activities - Governmental Activities.....	46
Proprietary Funds Financial Statements	
Statement of Net Assets.....	48 - 49
Statement of Revenues, Expenses and Changes in Net Assets.....	50 - 51
Statement of Cash Flows.....	52 - 53
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets.....	56
Statement of Changes in Fiduciary Net Assets.....	57
Component Units Financial Statements	
Statement of Net Assets.....	60
Statement of Activities.....	61
Notes to the Financial Statements Index.....	63
Notes to the Financial Statements.....	64 - 117

	<u>PAGE</u>
<b>Required Supplementary Information (Unaudited)</b>	
Defined Benefit Pension Plans-Schedule of Funding Progress.....	120
Defined Benefit Pension Plans-Schedule of Employer Contributions.....	121
Other Postemployment Benefit Plans-Schedule of Funding Progress.....	122
Other Postemployment Benefit Plans-Schedule of Employer Contributions.....	122
Budgetary Comparison Schedule-General Fund.....	123 - 124
Budgetary Comparison Schedule-Transportation Fund.....	125
Budgetary Comparison Schedule-Education Fund.....	126
Budgetary Comparison Schedule-Special Fund.....	127 - 128
Budgetary Comparison Schedule-Federal Revenue Fund.....	129
Budgetary Comparison Schedule-Global Commitment Fund.....	130
Budgetary Comparison Schedule-State Health Care Resource Fund.....	131
Budgetary Comparison Schedule-Tobacco Trust Fund.....	132
Budgetary Comparison Schedule-Catamount Fund.....	133
Notes to Required Supplementary Information-Budgetary Reporting.....	134 - 136
<b>Supplementary Information - Combining and Individual Fund Statements and Schedules</b>	
Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	142 - 145
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	146 - 149
Proprietary Funds	
Nonmajor Enterprise Funds	
Combining Statement of Net Assets.....	152 - 153
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	154 - 155
Combining Statement of Cash Flows.....	156 - 157
Internal Service Funds	
Combining Statement of Net Assets.....	160 - 165
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	166 - 171
Combining Statement of Cash Flows.....	172 - 177
Fiduciary Funds	
Pension and Other Postemployment Benefit Trust Funds	
Combining Statement of Plan Net Assets.....	170 - 181
Combining Statement of Changes in Plan Net Assets.....	182 - 183
Agency Funds	
Combining Statement of Changes in Assets and Liabilities.....	186 - 188
Component Units	
Non-major Component Units	
Combining Statement of Net Assets.....	190 - 191
Combining Statement of Activities.....	192

<b>STATISTICAL SECTION (Unaudited)</b>	
Statistical Section Contents.....	193
<b>Financial Trends Information</b>	
Table 1 - Net assets by component, last 6 fiscal years.....	194 - 195
Table 2 - Changes in net assets, last 6 fiscal years.....	196 - 199
Table 3 - Fund balances, governmental funds - last 10 fiscal years.....	200 - 201
Table 4 - Changes in fund balances, governmental funds - last 10 fiscal years.....	202 - 203
<b>Revenue Capacity Information</b>	
Table 5 - Personal income and earnings by major industry, last 10 calendar years.....	204 - 205
Table 6 - Personal income tax rates and collections, last 10 calendar years.....	206
Table 7 - Personal income tax filers and liability by income level, calendar years 2006 and 1997.....	207
<b>Debt Capacity Information</b>	
Table 8 - Ratios of outstanding debt by type, last 10 years.....	208
Table 9 - Ratios of general obligation bonded debt outstanding, last 10 fiscal years .....	209
<b>Demographic and Economic Information</b>	
Table 10 - Demographic and economic statistics.....	210 - 211
Table 11 - Annual average non-farm employment by industry.....	212
<b>Operating Information</b>	
Table 12 - State government full-time equivalent employees by function/program.....	213
Table 13 - Operating indicators by function/program.....	214
Table 14 - Capital asset statistics by function, last 3 years.....	215



**Department of Finance & Management**  
**109 state Street, 5<sup>th</sup> Floor**  
Montpelier, Vermont 05609-0401  
[www.state.vt.us/fin/](http://www.state.vt.us/fin/)

phone] 802-828-2376  
[fax] 802-828-2428

*Agency of Administration*

## LETTER OF TRANSMITTAL

To the Honorable James H. Douglas, Governor,  
The Honorable Brian Dubie, Lieutenant Governor,  
Chairs of House Committees on Appropriations, Institutions and Ways and Means,  
Senate Committees on Appropriations, Finance and Institutions, and  
The Citizens of the State of Vermont

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ended June 30, 2007. The Department of Finance and Management prepared this report as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the State of Vermont's Department of Finance and Management. We believe that the accompanying data is accurate and fairly stated in all material respects and is presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/fund balances.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management and Discussion Analysis (MD&A) that follows the Independent Auditor's Report. This analysis is designed to give you, the reader, an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government. Secondly, I would like to direct your attention to the Basic Financial Statements (BFS) which follow the MD&A. The Basic Financial Statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). They contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary fund financial activity; component unit financial activity; and note disclosures that explain and enhance the basic financial statements.

For fiscal year 2007, the following new funds are reported for the first time: (1) the Supply Center internal service fund reported last year has been split into two separate internal service funds (Fleet Fund and E-Procurement Fund) beginning July 1, 2006, in order to better meet management's information reporting needs; and (2) the fiduciary funds include the new Vermont State Postemployment Benefits Trust Fund. Please refer to Note 1, Section E for more information regarding these new funds. In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, a Supplementary section, and a Statistical section. The RSI section contains a Schedule of Funding Progress for the State's defined benefit retirement and other postemployment benefits plans, and Budget to Actual comparison schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Supplementary section contains combining fund financial statements for the State's non-major Governmental, Proprietary, and Fiduciary Funds, and for the State's non-major component units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. It should be noted that the information contained in the RSI, Supplementary, and Statistical sections is unaudited.



## **State Profile**

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth State in 1791. Rural in character, the state measures 9,249 square miles of land area, and ranks 49<sup>th</sup> out of the 50 states in population, with the most recent U.S. Census count (April 1, 2000) of 608,827. The State capital is Montpelier (population of 8,035 in 2000), and the largest city is Burlington (2000 population of 38,889).

The State Constitution provides for three traditional branches of Government – the Legislative, the Executive, and the Judicial. The Legislative branch is comprised of the House of Representatives (150 members) and the Senate (30 members); all are elected for two-year terms. The Executive branch includes six elected officers – the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts, and the Attorney General – all elected for two year terms, without term limitations. The Governor is responsible for the faithful execution of all laws and the management of the departments and agencies of the Executive Branch – including the agencies of Administration, Transportation, Natural Resources, Commerce and Community Development, Human Services, as well as other agencies and departments – through which the functions of the state government are carried out. The Judicial branch of the state is made up of a Supreme Court, and Superior, District, Family, Environmental, and Probate Courts, and the Judicial Bureau. The judges are appointed by the Governor with the advice and consent of the Senate, and serve six-year terms.

## **Economic Environment**

Vermont's economic base has a relatively high reliance on the sectors of Construction, Manufacturing, Retail Trade, Health Care and Social Assistance, Accommodations and Food Services, Arts, Entertainment, and Recreation, and Farming. The state has posted among the lowest unemployment rates in the New England region for the past several years, and remains below national averages with the latest estimates. The rate of growth of the state's population has slowed somewhat over the past several years, but remains above the average for the New England region.

The housing market correction occurring nation-wide is expected to negatively impact economic activity in Vermont over the near term. One source of offsetting strength for the state's economy over the next several years should come from increased levels of export activity, associated with the recent declining value of the U.S. dollar. Additionally, the decline in the value of the U.S. dollar relative to the Canadian dollar has made Vermont an attractive destination for Canadian visitors.

## **The General Fund**

The General Fund, which accounts for a significant portion of the State's financial activity, accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2007, general fund tax revenues accounted for 97.5 percent of total general fund revenues. The three principal tax revenue contributors – the personal income tax, the general fund's portion of the sales and use tax, and the meals and room tax – accounted for 80.8 percent of general fund total tax revenues or approximately 79% of total General Fund revenues. General Fund expenditures used 68.6% of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Employment and Training, General Education, Natural Resources, Commerce and Community Development and Debt Service. The majority of the remainder of the resources provided from the 2007 General Fund revenues were transferred out to other funds and used for various purposes. Please see Note 3E for a summary of these transfers.

## **Budget Adoption and Legal Compliance/Budgetary Results**

Note 1 to the financial statements describes the State's budgeting process, while the Required Supplementary Information section contains Budget to Actual comparison schedules and associated notes for the General Fund and the five major special revenue funds. These schedules present each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by fund within appropriation.

### **Cash and Investments**

Cash deposits are managed by the State in accordance with the provisions of Title 32, Vermont Statutes Annotated, Sections 431-434, which defines the requirements the Treasurer must adhere to when depositing public monies. For investing purposes, the State Treasurer pools substantially all cash except that which is required to be maintained separately in accordance with legal restrictions. Note 2 provides more detail regarding this important area.

### **Risk Management**

By self-insuring, the State generally assumes substantially all risk associated with Workers' Compensation, Employee Liability, Employee Health and Life, and General Liability under State law. However, the State has minimized its exposure in several areas by either purchasing commercial insurance coverage or by limiting benefit claim amounts.

### **Independent Audit of These Financial Statements**

An audit was performed by the independently elected State Auditor of Accounts whose "Independent Auditor's Report" is included in the financial section of this CAFR. The audit described in the auditor's report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.

### **Acknowledgements**

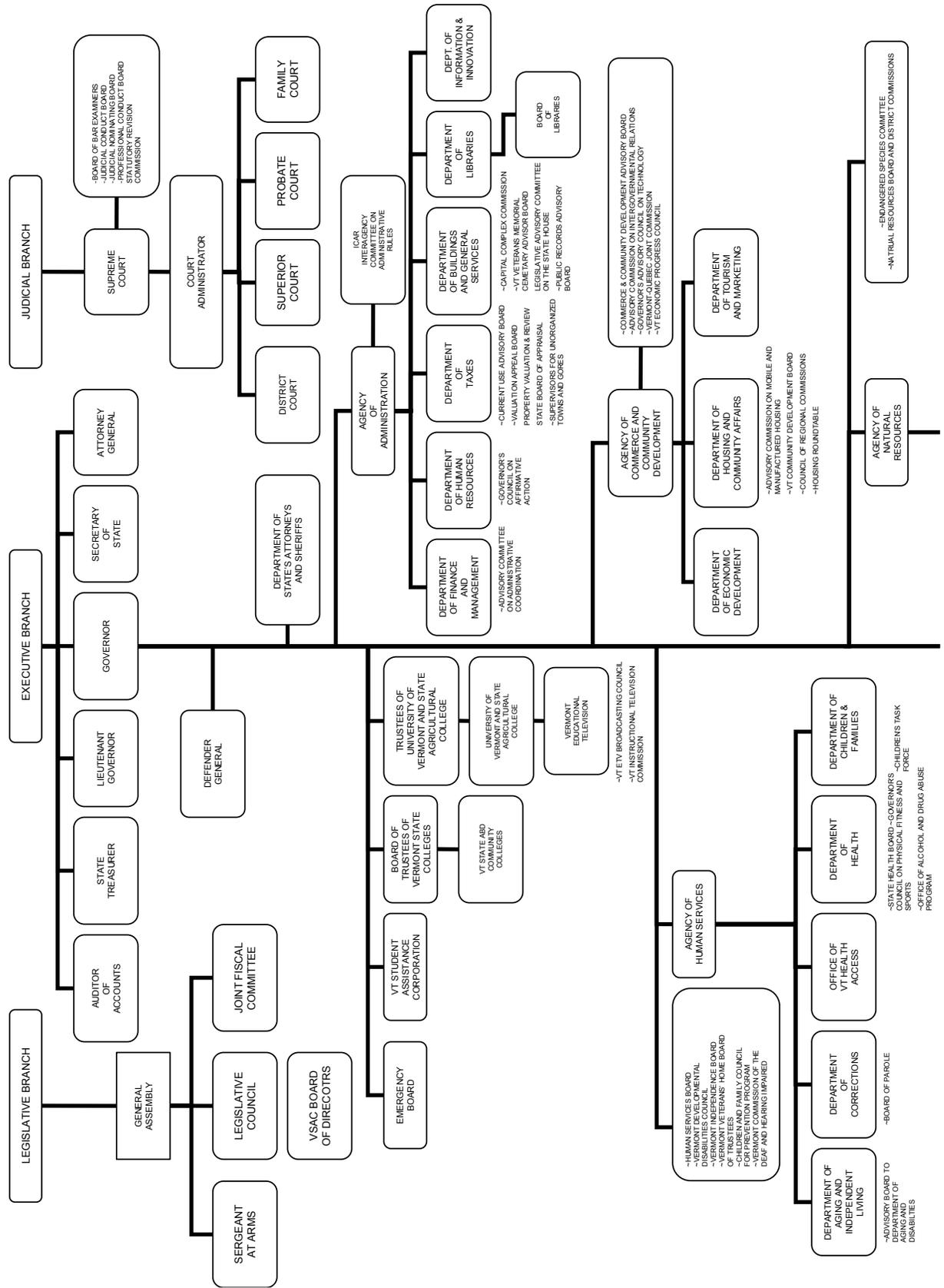
The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, and the support of all State agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

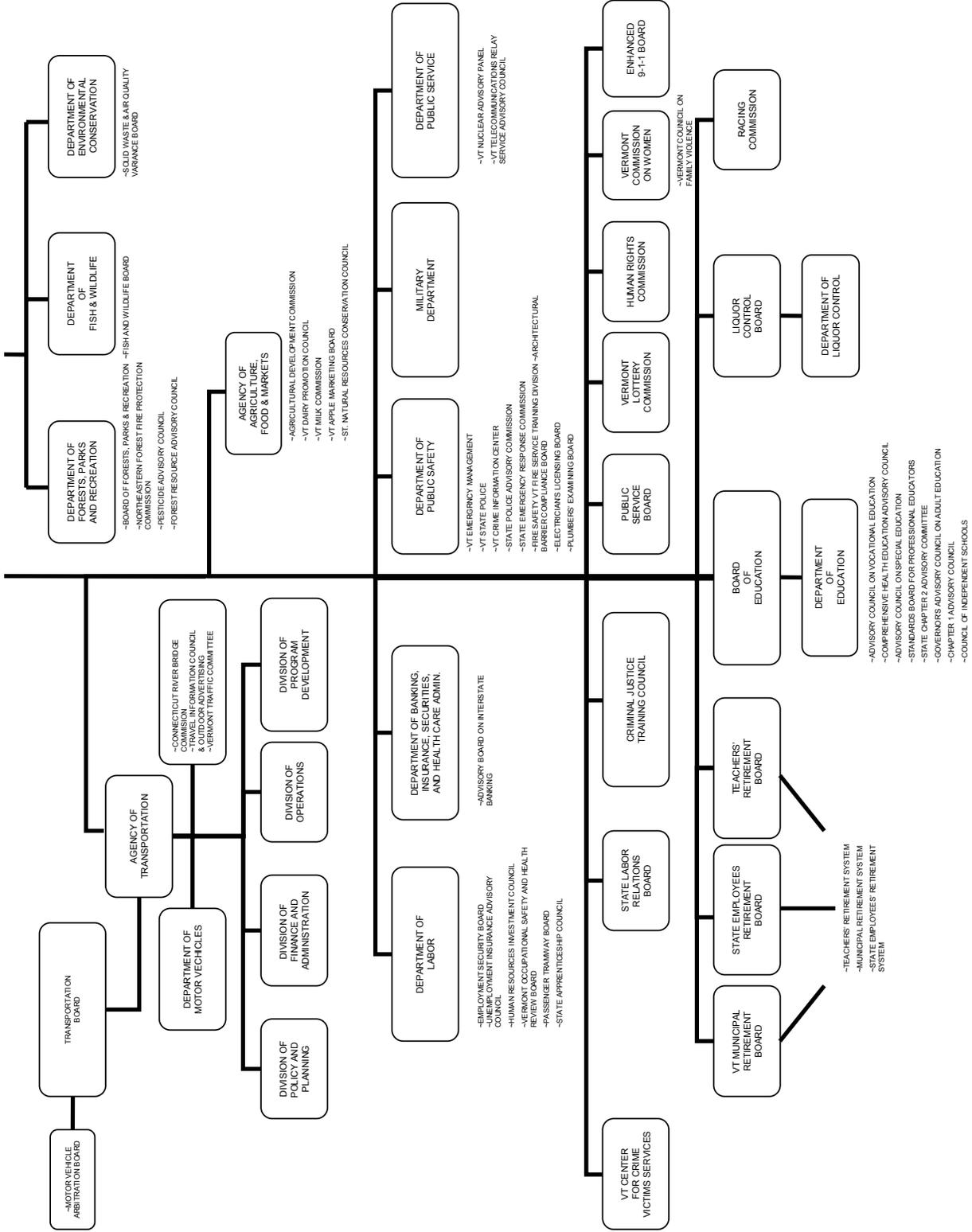
Sincerely,



James B. Reardon, CPA  
Commissioner

January 31, 2008





**SELECTED STATE OFFICIALS**  
*As of June 30, 2007*

**EXECUTIVE**

*James H. Douglas*  
*Governor*

*Brian L. Dubie*  
*Lieutenant Governor*

*Deborah L. Markowitz*  
*Secretary of State*

*William H. Sorrell*  
*Attorney General*

*Thomas M. Salmon*  
*Auditor of Accounts*

*George B. "Jeb" Spaulding*  
*State Treasurer*

**JUDICIAL**

*Paul L. Reiber*  
*Chief Justice*

**LEGISLATIVE**

*Peter Shumlin*  
*President Pro Tempore of the State Senate*  
*(30 Senators)*

*Gaye Symington*  
*Speaker of the House of Representatives*  
*(150 Representatives)*



***FINANCIAL SECTION***

THOMAS M. SALMON, CPA  
STATE AUDITOR



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

**Independent Auditor's Report**

Speaker of the House of Representatives Gaye Symington  
President Pro-Tempore of the Senate Peter Shumlin  
Governor James H. Douglas  
State House  
Montpelier, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont, as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain funds that aggregate the following percentage of total assets, net assets or fund balance, and revenues:

<u>Opinion Unit</u>	<u>Percentage of Total Assets</u>	<u>Percentage of Net Assets or Fund Balance</u>	<u>Percentage of Total Revenues</u>
Governmental Activities	8.9%	3.6%	1.2%
Aggregate Discretely Presented Component Units	100%	100%	100%
Lottery Fund – Major Enterprise Fund	100%	100%	100%
Federal Revenue Fund – Major Governmental Fund	73%	58%	2%
Transportation Fund – Major Governmental Fund	5%	14%	0%
Special Fund – Major Government Fund	8%	7%	7%

132 State Street • Montpelier, Vermont 05633-5101  
Auditor: (802) 828-2281 • Toll-Free (in VT only): 1-877-290-1400 • Fax: (802) 828-2198  
email: [auditor@sao.state.vt.us](mailto:auditor@sao.state.vt.us) • website: [www.state.vt.us/sao](http://www.state.vt.us/sao)

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it is related to the amounts included for those funds, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Special Environmental Revolving Fund (blended into the Federal Revenue Fund) and the Vermont Sustainable Jobs Fund, Inc. (a non-major component unit) were not audited in accordance with *Government Auditing Standards*.<sup>1</sup> An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Vermont's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we are required to issue a report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters within 60 days of the issuance of the audit report. The purpose of the internal controls and compliance report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by U. S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of

---

<sup>1</sup> These funds were audited in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Government Auditing Standards incorporate GAAS standards and prescribe certain additional standards. For the audits of these funds, the most significant difference in the conduct of the audit is that the internal control report required under Government Auditing Standards was not issued.

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The introduction section, supplementary information, and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit by us and the other auditors of the basic financial statements and, accordingly, we express no opinion on them.

*Thomas M. Salmon CPA*

Thomas M. Salmon, CPA

State Auditor  
January 31, 2008

---

## INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2007. This Management, Discussion & Analysis (MD&A) section is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2007. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

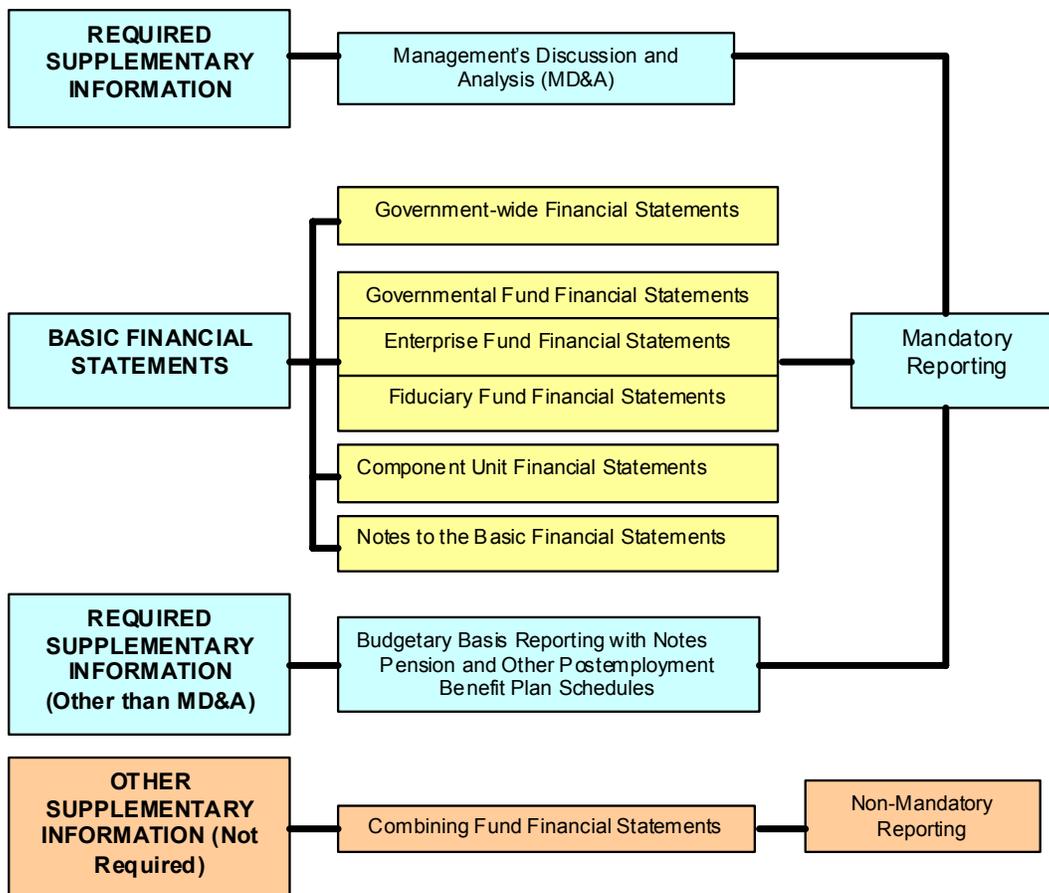
## FINANCIAL HIGHLIGHTS

- Vermont reported net assets of \$1.476 billion, comprised of \$2.534 billion in total assets offset by \$1.057 billion in total liabilities at June 30, 2007 (Table 1).
- The primary government's net assets have increased by \$100.5 million as a result of this year's operations. The net assets for governmental activities increased \$115.2 million and net assets for business activities decreased by \$14.7 million (Table 2).
- The State's governmental funds reported combined ending fund balances of \$431.7 million. Of this amount, \$239.8 million is available for spending at the State's discretion (unreserved - undesignated fund balance).
- The State's General Fund reported an operating surplus this year of \$1.6 million which increased the accumulated fund balance to \$163 million, of which \$95 million is reserved for specific purposes.
- The State's debt outstanding for General Obligation Bonds decreased \$4 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements and supplementary information. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), other supplementary information, and a statistical section. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

The layout and relationship of the financial statements and supplementary information is visually illustrated as follows:



**Basic Financial Statements**

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above type financial statements and are considered an integral part of the financial statements.

**1) Government-Wide Financial Statements**

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the State's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of the State's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support the State's own programs.

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of

accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the State, even if cash involved has not been received or paid. The government-wide financial statements present two statements:

The *Statement of Net Assets* presents both the primary governments' and its component units' assets and liabilities, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net assets included on the Statement of Net Assets. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into the following three different categories. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units. For more information regarding discretely presented component units, please see Note 1 to the financial statements.

### **Primary Government Activities**

*Governmental Activities* – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

*Business-Type Activities* – These business-type activities of the State include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, liquor control, and the State lottery commission. Activities reported as non-major include the federal surplus property program, publishing Vermont Life magazine, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

### **Component Units' Activities**

*Discretely Presented Component Units* – These are legally separate (incorporated) entities for which the elected officials of the primary government have financial accountability. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of three major and eight non-major component units. This categorization is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the State's component units are presented in Note 1 to the financial statements.

## 2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Similar to other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the State's activities in more detail than the government-wide statements. All of the funds of the State have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. In turn, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the supplementary information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension trust, private purpose trusts and agency funds) with combining schedules or statements for the individual pension and agency funds presented in the supplementary information section. It is important to note that these fund categories use different accounting methods and should be interpreted differently as described below.

### The Three Categories of Funds are:

#### *Governmental Funds*

Most of the basic services provided by the State are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports eighteen governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, and nine permanent funds and are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the other supplementary information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

#### *Proprietary Funds*

This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Assets*; a *Statement of Revenues, Expenses and Changes in Net Assets*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-State government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

The State reports eight enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the Vermont Lottery Commission. The other five enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. Because the activities in these funds primarily benefit governmental activities, they have been combined with the governmental activities in the government-wide statements.

The State reports twenty-three internal service funds which are reported in one consolidated column entitled "Governmental Activities – Internal Service Funds Total" on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the other supplementary information section.

#### *Fiduciary Funds*

The fiduciary funds are used to account for resources held by the State for the benefit of parties outside of State government. Fiduciary funds are excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

The State's fiduciary funds are divided into the following three basic categories: Pension and Other Postemployment Benefit Trust Funds (six separate retirement plans for employees and one other postemployment benefit plan); Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (eleven agency funds which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals). These funds financial reports include a *Statement of Fiduciary Net Assets*; and a *Statement of Changes in Fiduciary Net Assets*.

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension and other postemployment benefit trust funds, and agency funds financial statements are reported in the other supplementary information section of this report.

### **3) Discretely Presented Component Units' Financial Statements**

As mentioned previously, the State has included the net assets and activities of three major component units in individual columns and eight non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major component units' financial statements can be found in the supplementary information of this report.

### **4) Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component units' financial statements.

### **Required Supplementary Information Other Than MD&A**

The basic financial statements are followed by a section of required supplementary information. This section includes:

Schedules for the General Fund and budgetary basis special revenue funds related to the five major Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on the budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note 1, Section E for additional information regarding the budgetary process, including the budgetary basis.

Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for each major governmental fund.

The Schedule of Funding Progress for the three defined benefit pension trust funds and the Schedule of Employer Contributions for the past six years are included in the required supplementary information section. Also, this section includes the Schedule of Funding Progress for the other postemployment benefit trust fund and is presented with actuarial assumptions on a pay-as-you-go basis.

### **Other Supplementary Information**

#### *Combining Financial Statements*

The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

- Non-major governmental funds
- Non-major proprietary (enterprise) funds
- Internal service funds
- Fiduciary funds including individual pension and other postemployment benefit trust funds and individual agency funds
- Non-major component units

### **Statistical Section**

A statistical section containing selected financial, debt capacity, operating, economic and demographic information is presented immediately following the combining financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

The State's (governmental and business-type activities) combined net assets total \$1.476 billion at the end of 2007, as shown in Table 1. Approximately 78.7 percent of these combined net assets consist of the State's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This \$1.162 billion in capital assets represent resources used to provide services to citizens, and therefore are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's net assets (22.9 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of \$23.7 million. This deficit balance improved by \$58 million from the previous year's unrestricted net asset deficit.

The governmental activities' negative unrestricted net assets balance is mainly the result of two actions: 1) debt issued by the State for municipal, non-profit or component unit capital purposes that does not result in a governmental activities' capital asset and 2) the statutorily mandated restricting of net assets for the budget stabilization reserves.

**Management's Discussion and Analysis**

*State of Vermont*

*Fiscal Year Ended June 30, 2007*

The business type-activities' positive unrestricted net asset balance may be used to meet the State's ongoing obligation to its citizens and creditors.

At the end of fiscal year 2007, the State reported positive total net asset balances in its governmental activities, business-type activities, and discretely presented component units.

The following primary government condensed financial statement information is derived from the State's June 30, 2007 and 2006 government-wide Statement of Net Assets. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

**TABLE 1**  
**State of Vermont's Net Assets**  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current assets.....	\$ 779.0	\$ 665.6	\$ 209.5	\$ 222.0	\$ 988.5	\$ 887.6
Other assets.....	212.1	311.1	4.9	5.0	217.0	316.1
Capital assets.....	1,327.6	1,242.8	0.4	0.4	1,328.0	1,243.2
<b>Total assets.....</b>	<b>2,318.7</b>	<b>2,219.5</b>	<b>214.9</b>	<b>227.4</b>	<b>2,533.5</b>	<b>2,446.9</b>
Long-term liabilities.....	668.0	668.1	4.6	4.1	672.6	672.2
Other liabilities.....	373.6	389.5	11.3	9.5	384.8	399.1
<b>Total liabilities.....</b>	<b>1,041.5</b>	<b>1,057.6</b>	<b>15.9</b>	<b>13.6</b>	<b>1,057.4</b>	<b>1,071.3</b>
Net assets:						
Invested in capital assets, net of related debt.....	1,161.2	1,080.1	0.4	0.4	1,161.6	1,080.5
Restricted.....	143.4	167.5	194.8	209.3	338.2	376.8
Unrestricted (deficit).....	(27.4)	(85.7)	3.7	4.0	(23.7)	(81.7)
<b>Total net assets.....</b>	<b>\$ 1,277.1</b>	<b>\$ 1,161.9</b>	<b>\$ 199.0</b>	<b>\$ 213.7</b>	<b>\$ 1,476.1</b>	<b>\$ 1,375.6</b>

Totals may not add due to rounding.

**Changes in Net Assets**

Vermont's primary government's change in net assets for fiscal year 2007 was an increase of \$100.5 million as shown in Table 2. This is the amount of change associated with operations for the year. Governmental activities had an increase in net assets and business-type activities had a decrease in net assets. The \$243.8 million increase in revenues was largely due to an \$84.2 million increase in program revenues and a \$154.1 million increase in tax revenues, led by a \$67.3 million increase in combined corporate and personal income taxes. This increase was offset by an increase of \$189 million in expenses, highlighted by a \$73.1 million increase in human services function expenses.

In 2007, governmental activities' revenues exceeded expenses by \$91 million and received transfers of \$24.2 million from business activities, resulting in the 9.91 percent increase in net assets. Business-type activities had an overall decrease in net assets of 6.88 percent, resulting from an operating surplus of \$9.5 million offset by transfers out of \$24.2 million to governmental activities, primarily from the Lottery (\$23.4 million) to support education.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2007

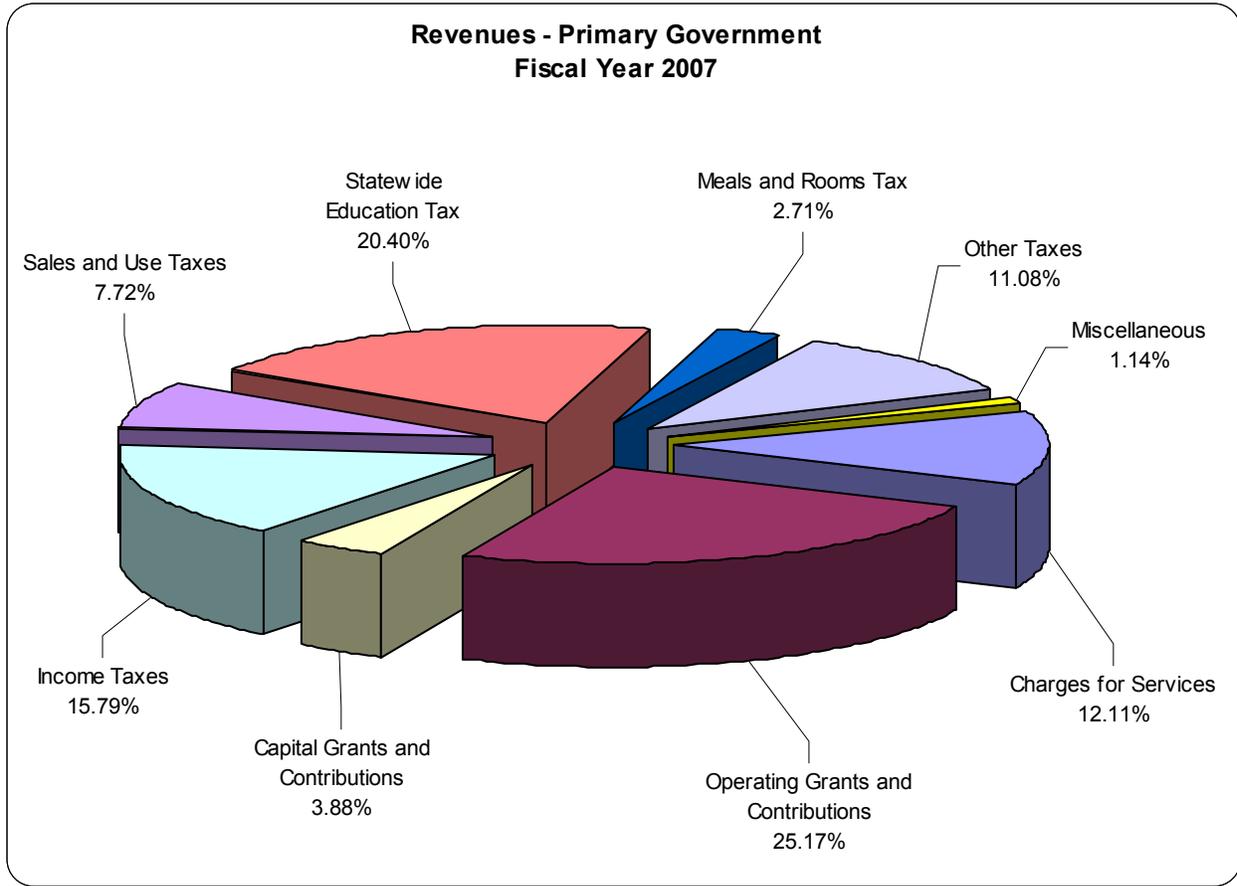
The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2007 and 2006 and contains primary government data only.

**TABLE 2**  
**State of Vermont's Changes in Net Assets**  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues:						
Charges for services.....	\$ 299.6	\$ 281.2	\$ 222.0	\$ 206.4	\$ 521.6	\$ 487.7
Operating grants and contributions.....	1,083.8	1,072.0	-	-	1,083.8	1,072.0
Capital grants and contributions.....	167.2	128.7	-	-	167.2	128.7
General revenues:						
Income taxes.....	679.9	612.6	-	-	679.9	612.6
Sales and use taxes.....	332.3	327.1	-	-	332.3	327.1
Statewide education tax.....	878.7	813.6	-	-	878.7	813.6
Meals and rooms tax.....	116.9	111.6	-	-	116.9	111.6
Other taxes.....	477.0	465.8	-	-	477.0	465.8
Miscellaneous.....	39.7	33.8	9.3	9.8	49.0	43.6
<b>Total revenues.....</b>	<b>4,075.2</b>	<b>3,846.2</b>	<b>231.3</b>	<b>216.3</b>	<b>4,306.4</b>	<b>4,062.6</b>
<b>Expenses</b>						
General government.....	114.7	110.1	-	-	114.7	110.1
Protection to persons and property.....	255.6	233.2	-	-	255.6	233.2
Human services.....	1,519.0	1,445.9	-	-	1,519.0	1,445.9
Employment and training.....	24.7	21.2	-	-	24.7	21.2
General education.....	1,622.4	1,555.7	-	-	1,622.4	1,555.7
Natural resources.....	85.9	82.8	-	-	85.9	82.8
Commerce and community development.....	31.9	32.3	-	-	31.9	32.3
Transportation.....	307.9	301.6	-	-	307.9	301.6
Public service enterprises.....	1.9	2.0	-	-	1.9	2.0
Interest on long-term debt.....	20.1	21.0	-	-	20.1	21.0
Unemployment compensation.....	-	-	94.4	85.5	94.4	85.5
Lottery commission.....	-	-	81.2	82.3	81.2	82.3
Liquor control.....	-	-	43.2	40.5	43.2	40.5
Other business-type expenses.....	-	-	2.9	2.9	2.9	2.9
<b>Total expenses.....</b>	<b>3,984.2</b>	<b>3,805.6</b>	<b>221.7</b>	<b>211.2</b>	<b>4,205.9</b>	<b>4,016.9</b>
Increase in net assets before transfers....	91.0	40.6	9.5	5.1	100.5	45.7
Transfers net in (out).....	24.2	23.5	(24.2)	(23.5)	-	-
<b>Change in net assets.....</b>	<b>115.2</b>	<b>64.1</b>	<b>(14.7)</b>	<b>(18.5)</b>	<b>100.5</b>	<b>45.7</b>
Net assets, beginning of year .....	1,161.9	1,097.8	213.7	232.2	1,375.6	1,330.0
<b>Net assets, end of year.....</b>	<b>\$ 1,277.1</b>	<b>\$ 1,161.9</b>	<b>\$ 199.0</b>	<b>\$ 213.7</b>	<b>\$ 1,476.1</b>	<b>\$ 1,375.6</b>

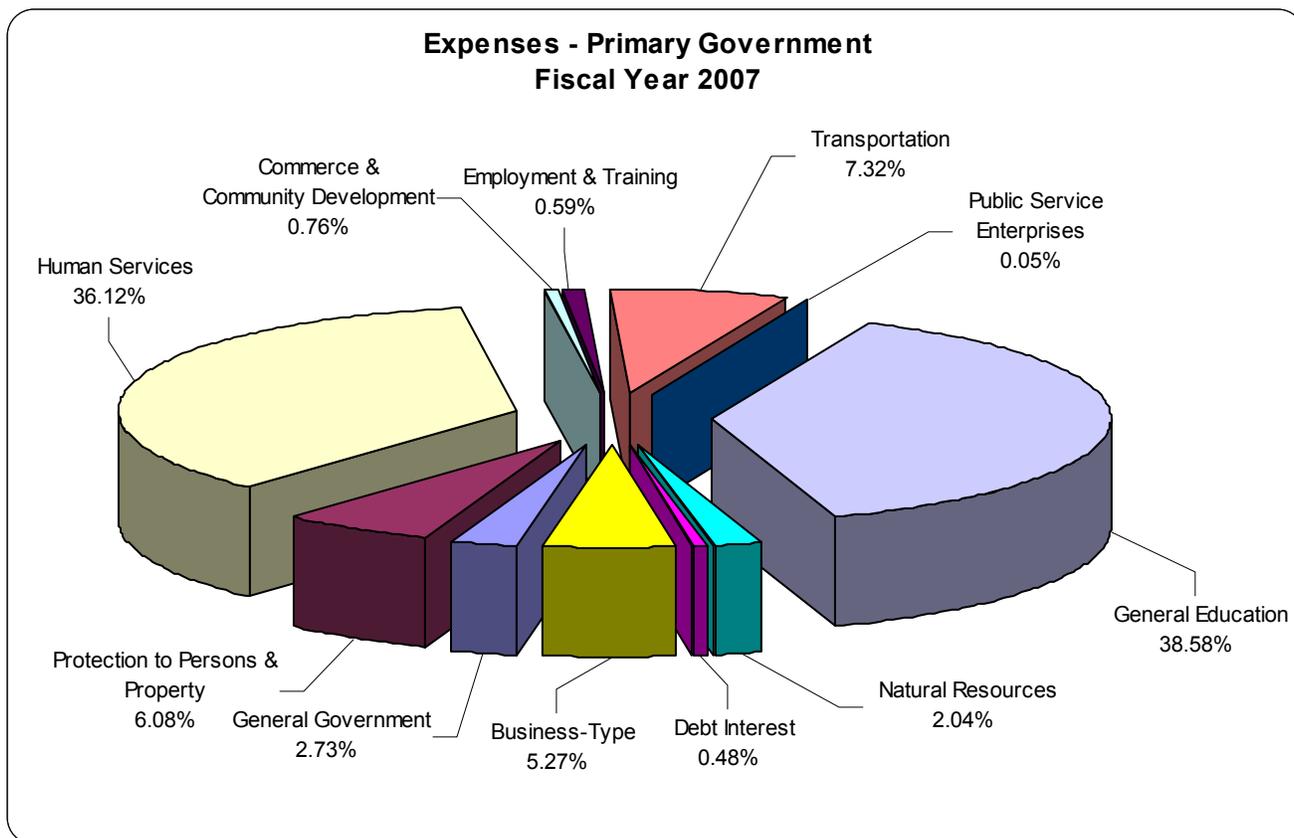
Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2007. Approximately 29.05 percent comes from other entities and government in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 36.19 percent of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100%, due to rounding.

The following graph illustrates the percentages of total primary government expenses. The largest portion of expenses is for general education (38.58 percent of total expenses) which provides for Vermont's elementary, secondary and higher education, as well as statewide education tax assistance in the form of income sensitive rebates to Vermont's citizens. These income sensitivity payments in fiscal year 2007 were \$113.5 million. The second most significant expense is for human services (36.12 percent of total expenses) to provide for Vermont's citizens in need of assistance.



Percentages may not equal 100%, due to rounding.

**FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS**

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by both legislative mandates as well as externally imposed restrictions.

**Governmental Funds**

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2007, the unreserved, undesignated fund balance is 55.54 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance has been reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, for debt service, for the human services caseload reserve, for budget stabilization purposes, and for a variety of other purposes.

At the end of fiscal year 2007, the State's governmental funds reported combined fund balances of \$431.7 million, an increase of \$2.6 million in comparison with the prior fiscal year. This increase is primarily attributable to increases in personal and corporate income tax revenues.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2007, the General Fund's total fund balance was \$163 million and the unreserved portion of this fund balance was \$68.1 million. Its remaining fund balance was made up of reservations totaling \$95 million. The most significant reservations are: \$55.2 million for budget stabilization, \$17 million for the human services caseload reserve and \$12.2 million for fiscal year 2008 appropriations and transfers to internal service funds. During 2007, total revenues and other financing sources exceeded expenditures and other financing uses by \$1.6 million.

The Special Fund's total fund balance at the end of fiscal 2007 was \$115.2 million, a increase of 17.76 percent in comparison with 2006. The Special Fund's total fund balance is comprised of \$111.7 million as unreserved, and \$3.6 million in reserved for encumbrances. Special Fund revenues increased \$41.4 million and expenditures decreased \$90.9 million compared to 2006 resulting in an increase in "excess of revenues over expenditures" of \$132.3 million from last fiscal year. Fiscal year 2007 transfers out to other funds exceed transfers in from other funds by \$136.5 million. However, in fiscal year 2006 transfers in from other funds exceeded transfers out to other funds by \$4 million. This change is because in fiscal year 2006, the General Fund transferred funding to the Special Fund to support medical assistance programs and in fiscal year 2007 the General Fund no longer transferred this funding to the Special Fund, but transferred this funding to the Global Commitment Fund.

Effective 10/01/05, the State of Vermont, entered into a new Medicaid demonstration waiver with the Centers for Medicare and Medicaid Services (CMS). This is a five year waiver agreement to expire on 09/30/2010 with a budget neutrality cap of \$4.7 billion. Under the waiver, the Agency of Human Services (AHS) entered into an Intergovernmental Agreement with the Office of Vermont Health Access (OVHA) for the administration and operation of the Global Commitment to Health Demonstration Waiver Program (GC waiver), and the OVHA has been assigned the role of a managed care organization (MCO). The State legislature established the Global Commitment Fund, a special revenue fund, to account for the services provided under the GC waiver and which is funded by the AHS payments of an actuarially certified premium to the MCO within the OVHA. When the GC waiver began on October 1, 2005, management believed and still believes that the GC waiver is essentially a cost based reimbursement waiver. As such, premiums received under the GC waiver were used to pay claims incurred under the State's previous waiver. The use of the premiums for the payment of prior waiver claims was reported to CMS, to which CMS did not object, and was consistent with a cost based reimbursement arrangement. From October 1, 2005 through June 30, 2006, the State continued to operate the GC waiver arrangement as a cost based reimbursement and, as part of the fiscal 2006 financial reporting process, recognized a Medicaid receivable for a portion of the claims incurred under the GC waiver. The receivable is consistent with the State's continued belief that the GC waiver arrangement was a cost based reimbursement waiver. During fiscal 2007, management revisited its position that the GC waiver was a cost based reimbursement arrangement. This reassessment included various conversations among Federal and State officials after the June 30, 2006 audit. Although management continues to believe the GC waiver should be treated as a cost reimbursement arrangement, our reassessment of this unique arrangement would now appear to indicate that, at June 30, 2007, treating the GC waiver as a traditional cost reimbursement arrangement may not be the most conservative approach for the State's financial reporting. Despite management's belief that the Global Commitment Fund will recover all costs, management has concerns over the ability to estimate an amount collectable within the current accounting period. Therefore, management has elected to not record a receivable at June 30, 2007. Because the costs attributable to services provided under the previous waiver had not been included in the data used to determine the actuarially certified premium rates, the cost of the services has exceeded the premiums received. The fund balance of the Global Commitment Fund at the end of the fiscal year was a deficit \$31 million, with expenditures of \$704.4 million and a net transfer in from other funds of \$653.5 million. The State plans to reduce this deficit balance over the remaining term of the GC waiver through

adjustments to the actuarial premium rates, or if necessary, will include the reimbursement of these pre-GC waiver costs in future waiver negotiations with the Center for Medicare and Medicaid Services.

The Education Fund (16 V.S.A. 2045) at June 30, 2007 had a total fund balance of \$48 million, which represents a \$20.9 million increase over fiscal year 2006's ending balance. This allowed for \$3.9 million to be added to the reserve for budget stabilization, bringing the fiscal year 2007 ending balance in the reserve to \$28.2 million.

See Note 1, Section E for more information regarding these funds.

### Proprietary Funds

The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund is the largest of the enterprise funds accounting for 97.92 percent of the \$199 million total net assets reported by the enterprise funds. However, the Unemployment Compensation Trust Fund's total net assets decreased by \$14.5 million from \$209.3 million at June 30, 2006 to \$194.8 million at June 30, 2007. This decrease was the result of unemployment benefit distributions exceeding unemployment tax assessments and other income.

The State's *internal service funds'* total net assets at June 30, 2007 were \$17.2 million, a \$4 million decrease from June 30, 2006. This decrease is primarily due to operating losses totaling \$9 million partially offset by net transfers in from other funds of \$3.2 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

### Fiduciary Funds

The State's fiduciary funds account for resources held for the benefit of parties outside the government. The *pension and other postemployment benefit trust funds'* net assets increased by 14.6 percent to \$3.533 billion at June 30, 2007. For more information regarding the State's retirement and other postemployment benefit plans, see Note 5 to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2007 is \$7.5 million, and total liabilities balance is \$6.8 million, including the escheat property claims liability estimated at \$6.7 million, resulting in ending net assets of \$654 thousand. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

## GENERAL FUND BUDGET HIGHLIGHTS

The General Fund ended fiscal year 2007 with a surplus of revenues over expenditures on a budget basis. This surplus had been anticipated in Act 65 section 277 of the 2007 legislative session, which provided that the surplus be used for certain appropriations, transfers and reserves. This included the transfer of \$3.4 million to the budget stabilization reserve bringing the reserve to the statutory maximum of \$55.2 million, an additional \$30.2 million to be added to the final fiscal year 2007 appropriations and transfers, and an additional \$12.2 million to be reserved for fiscal year 2008 appropriations and transfers. The \$30.2 million of final fiscal year 2007 budget adjustments included transfers of \$13.7 million to the Education Fund and \$6.5 million to the Transportation Fund. During the year, actual budgetary-based revenues exceeded the final budgetary estimates by \$27.3 million, with actual tax revenue exceeding the final tax revenue estimate by \$34.6 million. Expenditures were \$35.9 million less than the final budgeted amount.

**PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The State investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2007 was \$1.328 billion, a total increase of 6.83 percent (Table 3). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Many component unit, municipal and non-profit capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, these capital assets are recorded on the financial statements of these owning organizations and are not listed on the books of the State. But the general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2007, the State had \$239.7 million of general obligation bonds outstanding related to capital assets of these other organizations.

**TABLE 3**  
**Capital Assets at Fiscal Year End**  
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land and Land Improvements...	\$ 71,236	\$ 71,142	\$ -	\$ -	\$ 71,236	\$ 71,142
Construction in Progress.....	294,136	317,332	-	-	294,136	317,332
Works of Art.....	136	112	-	-	136	112
Buildings and Improvements.....	205,957	201,144	37	45	205,994	201,189
Machinery and Equipment.....	48,964	47,314	375	327	49,339	47,641
Infrastructure.....	707,202	605,778	-	-	707,202	605,778
<b>Totals.....</b>	<b>\$ 1,327,630</b>	<b>\$ 1,242,822</b>	<b>\$ 412</b>	<b>\$ 372</b>	<b>\$ 1,328,042</b>	<b>\$ 1,243,194</b>

Totals may not add due to rounding.

**Debt Administration**

The State has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the State. Bonds authorized for a given fiscal year may, at the discretion of the State Treasurer with the approval of the Governor, be issued in the fiscal year, in the months of May and June proceeding such fiscal year, or in subsequent fiscal years. Bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2007, the State of Vermont's outstanding general obligation bond debt decreased by approximately \$4 million. This decrease can be accounted for by the issuance of \$44.5 million of general obligation bonds and accretion of \$2.1 million in principal on the State's capital appreciation bonds offset by the redemption of \$50.6 million. There was no defeasance in outstanding debt. Additional information on the State's long-term indebtedness is contained in Note 8 of the notes to the financial statements.

The State's general obligation bond ratings are as follows: Aaa by Moody's Investor Service, AA+ by Standard & Poor's Ratings Services, and AA+ by Fitch Ratings.

**ECONOMIC FACTORS AFFECTING THE STATE*****Bond Ratings***

On February 6, 2007 Moody's Investors Service upgraded the State of Vermont's general obligation bond rating from their second best rating of Aa1 to its best rating of Aaa. According to Moody's the top rating was a reflection of "Vermont's strong history of financial management," efforts to reduce debt and "a stable, diversifying economy that lacks the kind of volatility that can make revenues swing dramatically up or down and increase financial uncertainty." This rating has the potential to save the State millions of dollars in future borrowing cost.

***Capital Debt Affordability***

Annually the Capital Debt Affordability Advisory Committee (CDAAC) completes a review of the size and affordability of the State tax-supported general obligation debt. By October 1, the CDAAC submits to the Governor and to the General Assembly an estimate of the maximum amount of new long-term general obligation debt that prudently may be authorized for the next fiscal year. For fiscal year 2009, the committee recommended increasing the annual bonding level to \$54.65 million. This is up 11 percent, or \$5.45 million, over fiscal year 2008.

***Catamount Health***

During the 2006 legislative session, the General Assembly passed significant Health Care Reform legislation that was signed into law by Governor Douglas. Included in this legislation is the creation of the Catamount Health (8 V.S.A. section 4080f), which provides a comprehensive health benefit plan with a sliding-scale premium based on income to uninsured Vermonters. Beginning in July 2007, Vermont employers pay an assessment on their employees that are not covered by a health benefit plan. The employer's assessment is intended to provide a partial source of funding for the Catamount Health plan. The employer's payment of the assessment for an uncovered employee does not necessarily entitle the uncovered employee to enrollment in Catamount Health. Enrollment in Catamount Health is the responsibility of the individual, and is subject to the income caps and additional individual contributions. Catamount Health began accepting enrollment applications on October 1, 2007.

***GASB Statement No 45***

The Governmental Accounting Standards Board Statement No. 45, which sets accounting and financial reporting standards by employers for postemployment benefits other than pensions, is effective beginning in fiscal year 2008. The term *other postemployment benefits* (OPEB) includes postemployment healthcare benefits and other types of postemployment benefits, such as life insurance. This new accounting standard will require the State to measure and disclose its liability for the OPEB and the status of its efforts to fund that liability in its fiscal year 2008 financial reports. The State's independent actuary will prepare valuations of the health care benefit liabilities for the Vermont State Retirement System (VSRS) and the State Teachers Retirement System (STRS). The actuarial valuation will determine the State's annual required contribution (ARC) necessary to fully fund the OPEB and compare it to the actual contribution paid. The difference is the Net OPEB Obligation to be reported in the Government-wide financial statements. The Vermont Municipal Employees' Retirement System, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no state health care benefit or liability. See Note 5 and the Required Supplementary Information section for more detailed information on the OPEB plan and valuation results.

***GASB Statement No 48***

In fiscal year 2008 the State will begin implementation of Governmental Accounting Standards Board Statement No. 48 for Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as either a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements.

These factors will likely have an impact on the State's financial position and budget in future fiscal years.

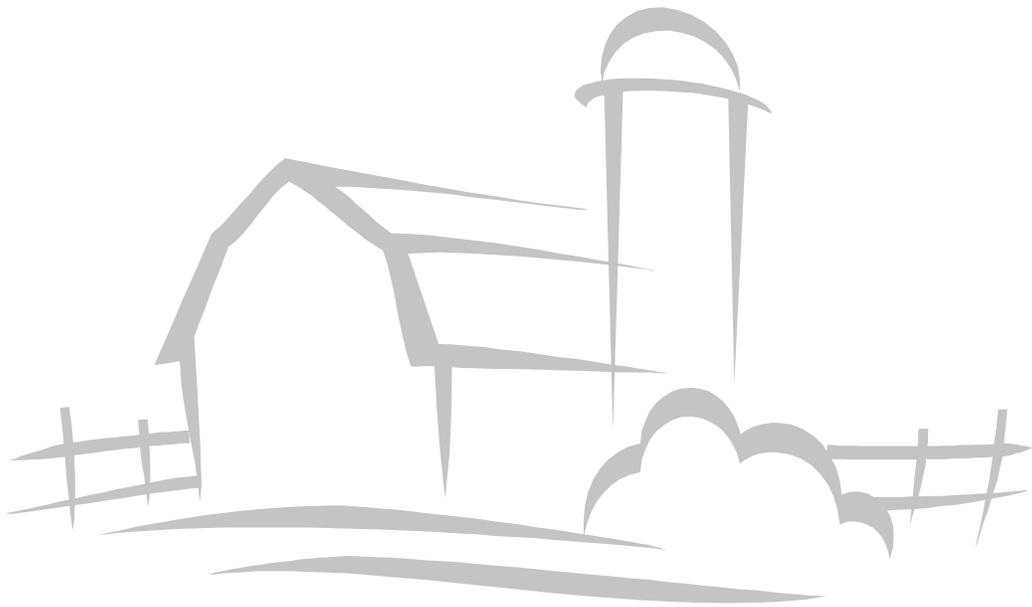
**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State of Vermont's finances for all of Vermont's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

State of Vermont  
Department of Finance and Management  
109 State Street, 5th Floor  
Pavilion Building  
Montpelier, Vermont 05609-0401

The State's component units issue their own separately issued financial statements. Their statements may be obtained by directly contacting them at the addresses found in Note 1 to the State's financial statements.

***THIS PAGE INTENTIONALLY LEFT BLANK***

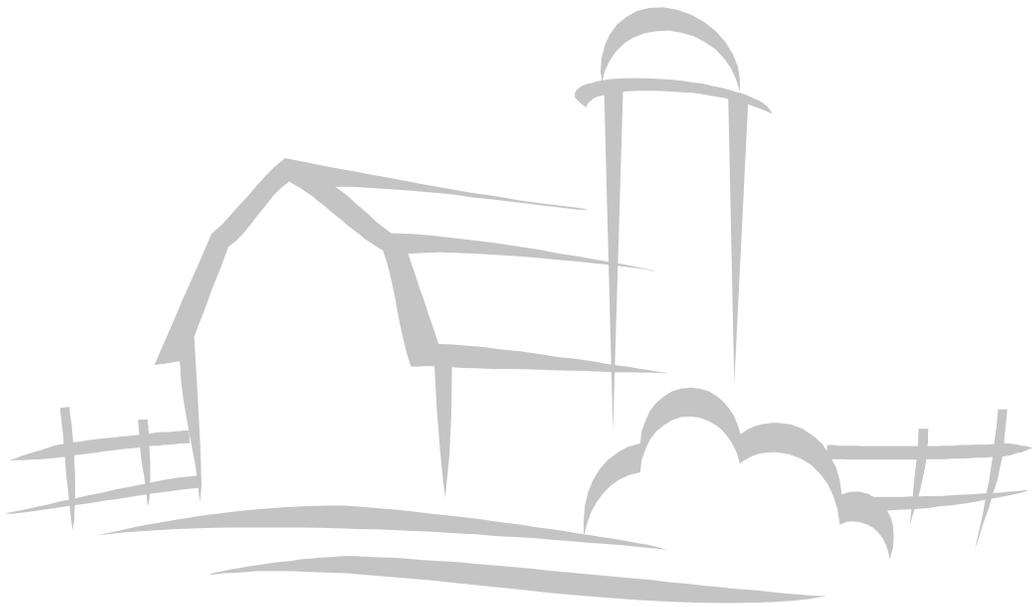


*Vermont*



## ***BASIC FINANCIAL STATEMENTS***

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*



**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**STATE OF VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ 349,705,291	\$ 190,923,863	\$ 540,629,154	\$ 322,020,943
Taxes receivable (net).....	87,228,660	11,879,733	99,108,393	-
Loans and notes receivable-current.....	169,713,267	956,425	170,669,692	175,315,114
Federal grants receivable (net).....	104,865,404	108,818	104,974,222	13,853,956
Other receivables (net).....	16,068,161	2,277,178	18,345,339	131,990,105
Investments.....	41,887,118	-	41,887,118	146,038,033
Inventories.....	2,856,356	5,141,222	7,997,578	208,496
Internal balances.....	1,882,546	(1,882,546)	-	-
Receivable from primary government.....	-	-	-	300,000
Receivable from component units.....	3,795,456	-	3,795,456	-
Other current assets.....	964,609	107,299	1,071,908	11,708,979
Total current assets.....	<u>778,966,868</u>	<u>209,511,992</u>	<u>988,478,860</u>	<u>801,435,626</u>
Noncurrent assets:				
Cash and cash equivalents.....	-	937,027	937,027	9,692,310
Taxes receivable.....	135,184,940	-	135,184,940	-
Other receivables.....	35,674,545	47,848	35,722,393	-
Notes and loans receivable.....	835,749	1,279,639	2,115,388	2,323,628,368
Investments.....	31,920,809	2,663,068	34,583,877	432,024,143
Other noncurrent assets.....	8,445,104	-	8,445,104	30,600,478
Capital assets:				
Land.....	71,235,760	-	71,235,760	28,696,261
Construction in progress.....	294,136,082	-	294,136,082	69,093,509
Works of art.....	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure.....	1,263,425,656	-	1,263,425,656	19,886,178
Property, plant and equipment.....	484,987,515	1,211,560	486,199,075	810,612,584
Less accumulated depreciation.....	<u>(786,290,736)</u>	<u>(799,379)</u>	<u>(787,090,115)</u>	<u>(335,401,464)</u>
Total capital assets, net of depreciation.....	<u>1,327,630,280</u>	<u>412,181</u>	<u>1,328,042,461</u>	<u>592,887,068</u>
Total noncurrent assets.....	<u>1,539,691,427</u>	<u>5,339,763</u>	<u>1,545,031,190</u>	<u>3,388,832,367</u>
Total assets.....	<u>2,318,658,295</u>	<u>214,851,755</u>	<u>2,533,510,050</u>	<u>4,190,267,993</u>

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities.....	208,878,907	9,435,104	218,314,011	82,920,793
Income tax refunds payable.....	67,129,306	-	67,129,306	-
Payable to primary government.....	-	-	-	3,795,456
Payable to component units.....	300,000	-	300,000	-
Intergovernmental payable - due to federal government...	3,872,956	-	3,872,956	-
Accrued interest payable.....	7,456,006	-	7,456,006	6,478,841
Current portion of long-term liabilities.....	84,235,263	692,850	84,928,113	184,092,795
Deferred revenue.....	1,685,673	1,123,764	2,809,437	30,744,107
Total current liabilities	<u>373,558,111</u>	<u>11,251,718</u>	<u>384,809,829</u>	<u>308,031,992</u>
Long-term liabilities:				
Lottery prize awards payable.....	-	4,499,185	4,499,185	-
Bonds, notes and leases payable.....	406,785,170	-	406,785,170	2,824,076,273
Compensated absences.....	10,722,385	113,642	10,836,027	-
Claims and judgments.....	22,944,307	-	22,944,307	-
Other long-term liabilities.....	227,507,253	-	227,507,253	54,885,586
Total long-term liabilities	<u>667,959,115</u>	<u>4,612,827</u>	<u>672,571,942</u>	<u>2,878,961,859</u>
Total liabilities	<u>1,041,517,226</u>	<u>15,864,545</u>	<u>1,057,381,771</u>	<u>3,186,993,851</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	1,161,200,173	412,181	1,161,612,354	165,900,933
Restricted for:				
Unemployment compensation.....	-	194,832,088	194,832,088	-
Component unit net assets.....	-	-	-	606,079,880
Funds held in permanent investments:				
Expendable.....	11,546,644	-	11,546,644	-
Nonexpendable.....	7,416,453	-	7,416,453	-
Budget stabilization.....	94,142,258	-	94,142,258	-
Capital projects.....	30,249,924	-	30,249,924	-
Unrestricted.....	(27,414,383)	3,742,941	(23,671,442)	231,293,329
Total net assets	<u>\$ 1,277,141,069</u>	<u>\$ 198,987,210</u>	<u>\$ 1,476,128,279</u>	<u>\$ 1,003,274,142</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental activities:				
General government.....	\$ 114,687,717	\$ 52,384,238	\$ 3,478,189	\$ -
Protection to persons & property.....	255,620,540	115,546,052	44,087,014	-
Human services.....	1,518,969,474	14,806,660	845,420,258	-
Employment & training.....	24,739,704	1,643,765	19,325,954	-
General education.....	1,622,441,379	3,308,878	115,330,724	-
Natural resources.....	85,900,684	23,077,637	17,246,067	13,302,778
Commerce & community development.....	31,946,826	595,030	8,547,006	-
Transportation.....	307,899,295	86,295,037	30,396,695	153,878,094
Public service enterprises.....	1,890,030	1,963,388	-	-
Interest on long-term debt.....	20,072,137	-	-	-
Total governmental activities.....	<u>3,984,167,786</u>	<u>299,620,685</u>	<u>1,083,831,907</u>	<u>167,180,872</u>
Business-type activities:				
Vermont Lottery Commission.....	81,224,645	104,550,857	-	-
Liquor Control.....	43,186,763	43,994,124	-	-
Unemployment Compensation.....	94,396,459	70,821,223	-	-
Other.....	2,936,606	2,598,672	-	-
Total business-type activities.....	<u>221,744,473</u>	<u>221,964,876</u>	<u>0</u>	<u>0</u>
Total primary government.....	<u>\$ 4,205,912,259</u>	<u>\$ 521,585,561</u>	<u>\$ 1,083,831,907</u>	<u>167,180,872</u>
<b>Component Units:</b>				
Vermont Student Assistance Corporation.....	\$ 176,918,000	\$ 106,540,000	\$ 75,979,000	\$ -
University of Vermont and State Agricultural College.....	505,403,000	262,342,000	202,520,000	15,558,000
Vermont State Colleges.....	141,662,574	91,035,108	51,239,108	2,606,127
Other.....	70,645,626	44,385,811	13,871,134	929,391
Total component units.....	<u>\$ 894,629,200</u>	<u>\$ 504,302,919</u>	<u>\$ 343,609,242</u>	<u>\$ 19,093,518</u>

General Revenues:

Taxes:

Personal and corporate income.....
Sales and use.....
Meals and rooms.....
Purchase and use.....
Motor fuel.....
Statewide education.....
Other taxes.....
Total taxes.....
Unrestricted investment earnings.....
Tobacco litigation settlement.....
Additions to non-expendable endowments.....
Miscellaneous.....
Transfers.....
Total general revenues and transfers.....

Changes in net assets.....

Net Assets - Beginning, restated.....

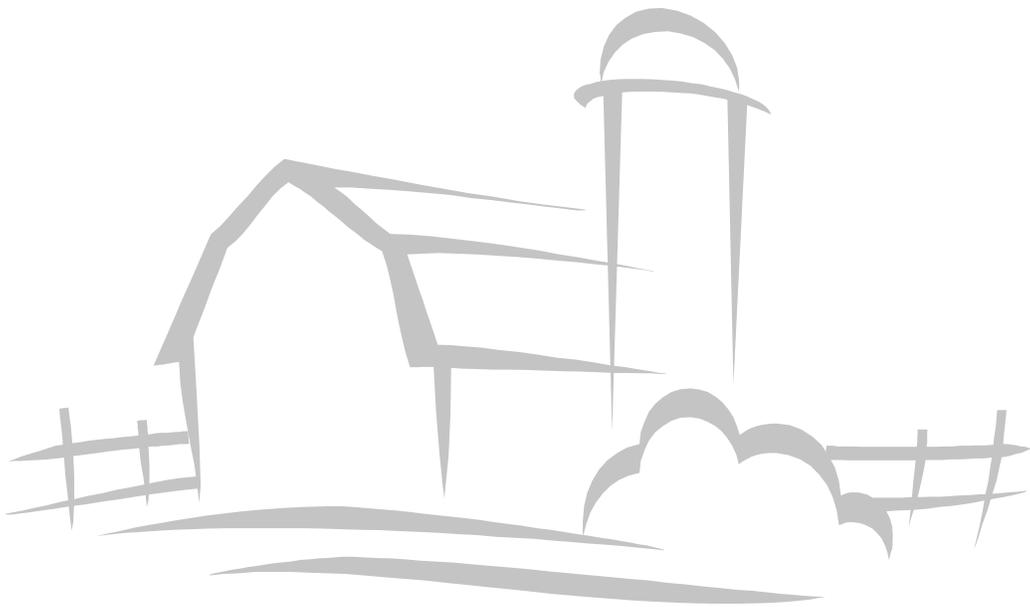
Net Assets - Ending.....

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
<b>Governmental Activities</b>	<b>Business-type Activites</b>	<b>Total</b>	
\$ (58,825,290)	\$ -	\$ (58,825,290)	\$ -
(95,987,474)	-	(95,987,474)	-
(658,742,556)	-	(658,742,556)	-
(3,769,985)	-	(3,769,985)	-
(1,503,801,777)	-	(1,503,801,777)	-
(32,274,202)	-	(32,274,202)	-
(22,804,790)	-	(22,804,790)	-
(37,329,469)	-	(37,329,469)	-
73,358	-	73,358	-
(20,072,137)	-	(20,072,137)	-
<u>(2,433,534,322)</u>	<u>0</u>	<u>(2,433,534,322)</u>	<u>0</u>
-	23,326,212	23,326,212	-
-	807,361	807,361	-
-	(23,575,236)	(23,575,236)	-
-	(337,934)	(337,934)	-
<u>0</u>	<u>220,403</u>	<u>220,403</u>	<u>0</u>
<u>(2,433,534,322)</u>	<u>220,403</u>	<u>(2,433,313,919)</u>	<u>0</u>
-	-	-	5,601,000
-	-	-	(24,983,000)
-	-	-	3,217,769
-	-	-	(11,459,290)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(27,623,521)</u>
679,886,186	-	679,886,186	-
332,314,113	-	332,314,113	-
116,888,579	-	116,888,579	-
80,590,615	-	80,590,615	-
65,426,866	-	65,426,866	-
878,714,663	-	878,714,663	-
331,016,679	-	331,016,679	13,763,883
<u>2,484,837,701</u>	<u>0</u>	<u>2,484,837,701</u>	<u>13,763,883</u>
11,285,923	9,286,126	20,572,049	93,754,115
24,985,722	-	24,985,722	-
-	-	-	957,875
3,431,989	8,558	3,440,547	546,525
<u>24,235,730</u>	<u>(24,235,730)</u>	<u>-</u>	<u>-</u>
<u>2,548,777,065</u>	<u>(14,941,046)</u>	<u>2,533,836,019</u>	<u>109,022,398</u>
115,242,743	(14,720,643)	100,522,100	81,398,877
<u>1,161,898,326</u>	<u>213,707,853</u>	<u>1,375,606,179</u>	<u>921,875,265</u>
<u>\$ 1,277,141,069</u>	<u>\$ 198,987,210</u>	<u>\$ 1,476,128,279</u>	<u>\$ 1,003,274,142</u>

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**General Fund** – The General Fund is the basic operating fund of the state and is used to finance and account for all expenditures for which no special revenues has been provided by law.

**Transportation Fund** – The Transportation Fund is a special revenue fund created to finance and account for all expenditures for the preservation, maintenance and improvement of the State’s transportation infrastructure.

**Education Fund** – The Education Fund is a special revenue fund created to equalize statewide education funding requirements.

**Special Fund** – The Special Fund is a special revenue fund created to consolidate individual special revenue funds (other than those already categorized) whose proceeds or specific revenues are legally restricted to expenditures for specific purposes.

**Federal Revenue Fund** – The Federal Revenue Fund is a special revenue fund used to record all federal grant receipts except those designated for transportation and fish & wildlife purposes.

**Global Commitment Fund** – The Global Commitment Fund is a special revenue fund created to allow Vermont greater latitude in promoting universal access to health care.

**Non-major Governmental Funds** – These funds are presented by in more detail beginning on page 141.

**STATE OF VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<b>General Fund</b>	<b>Transportation Fund</b>	<b>Education Fund</b>
<b>ASSETS:</b>			
Cash and cash equivalents.....	\$ 78,304,559	\$ 15,878,335	\$ 49,440,926
Investments.....	-	-	-
Receivables:			
Taxes receivable (net).....	194,814,778	8,070,101	15,663,664
Accrued interest receivable.....	435,188	-	-
Notes and loans receivable.....	5,063,692	1,260,846	-
Other receivables (net).....	8,137,497	10,157,919	-
Intergovernmental receivable - federal government (net).....	319,878	21,623,056	-
Due from other funds.....	670,444	3,769,497	115,543
Due from component units.....	3,768,230	-	-
Interfund receivable.....	36,244,227	-	-
Advances to other funds.....	324,300	-	-
Restricted cash.....	-	972,982	-
	<b>\$ 328,082,793</b>	<b>\$ 61,732,736</b>	<b>\$ 65,220,133</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ 21,670,702	\$ 20,812,743	\$ 13,049,377
Accrued liabilities.....	14,050,580	6,410,339	-
Retainage payable.....	168,700	1,427,130	-
Due to other funds.....	3,221,415	263,701	962,265
Due to component units.....	-	-	-
Intergovernmental payable - federal government.....	-	-	-
Interfund payable.....	-	-	-
Tax refunds payable.....	3,249,417	-	-
Deferred revenue.....	122,692,187	12,458,011	3,248,456
	<b>165,053,001</b>	<b>41,371,924</b>	<b>17,260,098</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances.....	4,869,389	49,946	-
Budget stabilization.....	55,223,571	10,670,870	28,247,817
Debt service.....	316,421	-	-
Advances and notes receivable.....	5,387,992	-	-
General and transportation fund surplus.....	23,413	3,220,814	-
Transfer to internal service funds.....	1,500,000	-	-
Human caseload management.....	16,980,177	-	-
Appropriations.....	10,672,000	-	-
Endowments.....	-	-	-
Unreserved:			
Designated for specific purposes.....	-	-	-
Undesignated.....	68,056,829	6,419,182	19,712,218
	<b>163,029,792</b>	<b>20,360,812</b>	<b>47,960,035</b>
	<b>\$ 328,082,793</b>	<b>\$ 61,732,736</b>	<b>\$ 65,220,133</b>

The accompanying notes are an integral part of these financial statements.

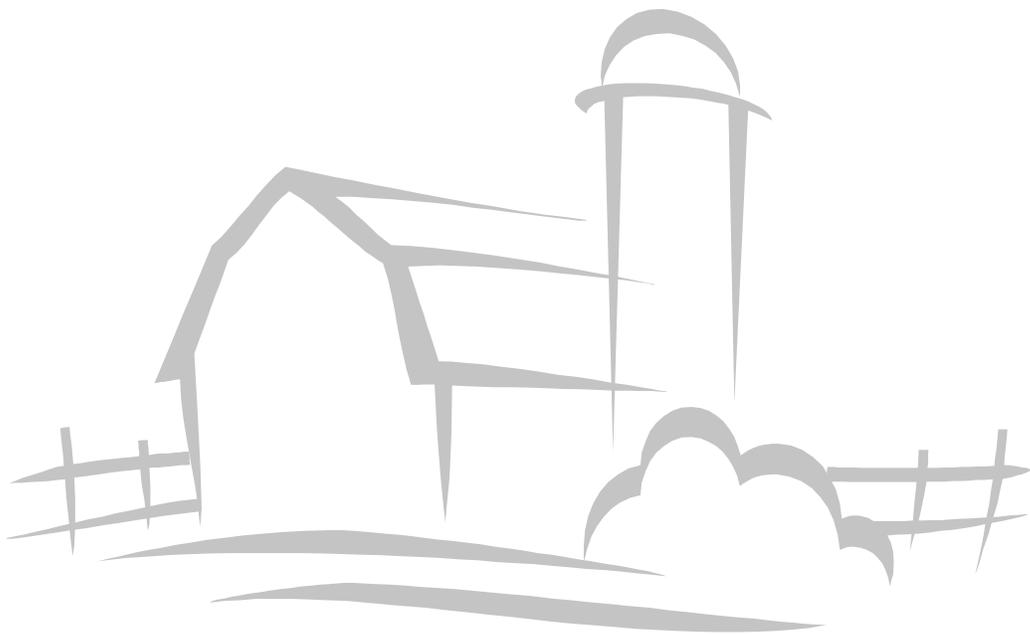
<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 78,804,965	\$ 3,030,920	\$ 38,958,312	\$ 34,643,407	\$ 299,061,424
36,901,357	14,850,000	-	22,056,570	73,807,927
3,779,950	-	-	85,107	222,413,600
60,080	191,948	-	32,743	719,959
190,000	164,034,478	-	-	170,549,016
11,867,765	9,046	12,469,441	453,919	43,095,587
-	82,382,016	-	540,454	104,865,404
1,318,944	53,042	-	656,624	6,584,094
27,226	-	-	-	3,795,456
-	-	-	-	36,244,227
-	-	-	-	324,300
5,845,407	-	-	157,560	6,975,949
<b>\$ 138,795,694</b>	<b>\$ 264,551,450</b>	<b>\$ 51,427,753</b>	<b>\$ 58,626,384</b>	<b>\$ 968,436,943</b>
\$ 13,191,644	\$ 32,794,193	\$ 69,957,390	\$ 2,387,816	\$ 173,863,865
3,512,759	5,792,941	2,437,423	564,680	32,768,722
214,570	231,022	357,045	260,668	2,659,135
38,547	935,673	71,484	200,152	5,693,237
300,000	-	-	-	300,000
-	3,872,956	-	-	3,872,956
-	-	-	7,556	7,556
392,925	-	-	-	3,642,342
5,904,546	159,956,376	9,649,700	33,124	313,942,400
<b>23,554,991</b>	<b>203,583,161</b>	<b>82,473,042</b>	<b>3,453,996</b>	<b>536,750,213</b>
3,584,322	13,183,124	123,203	4,153,661	25,963,645
-	-	-	-	94,142,258
-	-	-	-	316,421
-	-	-	-	5,387,992
-	-	-	-	3,244,227
-	-	-	-	1,500,000
-	-	-	-	16,980,177
-	-	-	-	10,672,000
-	-	-	7,416,453	7,416,453
-	-	-	26,294,481	26,294,481
111,656,381	47,785,165	(31,168,492)	17,307,793	239,769,076
<b>115,240,703</b>	<b>60,968,289</b>	<b>(31,045,289)</b>	<b>55,172,388</b>	<b>431,686,730</b>
<b>\$ 138,795,694</b>	<b>\$ 264,551,450</b>	<b>\$ 51,427,753</b>	<b>\$ 58,626,384</b>	<b>\$ 968,436,943</b>

**State of Vermont**  
**Reconciliation of Governmental Fund Balances**  
**to the Statement of Net Assets - Governmental Activities**  
**June 30, 2007**

<b>Total fund balances from previous page .....</b>		<b>\$ 431,686,730</b>
<p>Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land.....	71,209,604	
Construction in progress.....	292,207,400	
Depreciable capital assets and infrastructure, net of \$751,627,576 of accumulated depreciation.....	931,814,674	
Capital assets, net of accumulated depreciation.....		1,295,231,678
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....</p>		
		17,202,315
<p>Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:</p>		
Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds.....		312,352,393
Deferred charge for unamortized bond issuance costs.....		1,893,541
Deferred for unamortized loss on sale of refunding bonds.....		6,551,563
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:</p>		
Bonded and capital lease debt.....	(457,855,411)	
Accrued interest payable on bonds.....	(7,456,006)	
Compensated absences (net of internal service funds' liability).....	(30,179,416)	
Tax refunds payable.....	(63,486,964)	
Other long-term liabilities.....	(228,799,354)	
Long-term liabilities.....		(787,777,151)
<b>Net assets of governmental activities.....</b>		<b>\$ <u>1,277,141,069</u></b>

The accompanying notes are an integral part of these financial statements.

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**STATE OF VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>
<b>REVENUES:</b>			
Taxes:			
Personal income tax.....	\$ 582,181,362	\$ -	\$ -
Corporate income tax.....	78,365,388	-	-
Sales and use tax.....	221,747,789	-	111,305,458
Meals and rooms.....	115,446,776	-	-
Motor fuel tax.....	-	62,826,449	-
Purchase and use tax.....	-	53,731,169	26,861,974
Statewide education tax.....	-	-	878,714,663
Other taxes.....	140,007,435	21,733,626	1,900,000
Earnings of departments:			
Fees.....	14,265,360	5,144,593	-
Rents and leases.....	-	952,858	-
Sales of services.....	1,536,251	118,315	-
Federal grants.....	-	180,399,350	-
Fines, forfeits and penalties.....	3,486,241	8,980,595	-
Investment income.....	4,695,530	528,788	176,595
Licenses:			
Business.....	2,757,249	774,508	-
Non-business.....	76,241	68,635,647	-
Special assessments.....	76	-	-
Other revenues.....	2,932,971	4,855,835	-
<b>Total revenues.....</b>	<b><u>1,167,498,669</u></b>	<b><u>408,681,733</u></b>	<b><u>1,018,958,690</u></b>
<b>EXPENDITURES:</b>			
General government.....	56,510,132	165,159	-
Protection to persons and property.....	88,767,644	36,254,875	-
Human services.....	381,679,829	-	-
Employment and training.....	2,448,990	-	-
General education.....	159,232,164	118,730	1,309,544,633
Natural resources.....	26,634,741	97,384	-
Commerce and community development.....	16,766,075	-	-
Transportation.....	3,953,780	375,354,621	-
Public service enterprises.....	-	-	-
Debt service.....	64,547,179	2,087,950	-
<b>Total expenditures.....</b>	<b><u>800,540,534</u></b>	<b><u>414,078,719</u></b>	<b><u>1,309,544,633</u></b>
<b>Excess of revenues over (under) expenditures.....</b>	<b><u>366,958,135</u></b>	<b><u>(5,396,986)</u></b>	<b><u>(290,585,943)</u></b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	-	-
Premium on sale of bonds.....	305,058	-	-
Transfers in.....	33,633,075	8,000,000	311,436,693
Transfers out.....	(399,316,526)	(3,043,314)	-
<b>Total other financing sources (uses).....</b>	<b><u>(365,378,393)</u></b>	<b><u>4,956,686</u></b>	<b><u>311,436,693</u></b>
<b>Net change in fund balances.....</b>	<b><u>1,579,742</u></b>	<b><u>(440,300)</u></b>	<b><u>20,850,750</u></b>
<b>Fund balances, July 1.....</b>	<b><u>161,450,050</u></b>	<b><u>20,801,112</u></b>	<b><u>27,109,285</u></b>
<b>Fund balances, June 30.....</b>	<b><u>\$ 163,029,792</u></b>	<b><u>20,360,812</u></b>	<b><u>\$ 47,960,035</u></b>

The accompanying notes are an integral part of these financial statements.

<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 582,181,362
-	-	-	-	78,365,388
-	-	-	-	333,053,247
-	-	-	-	115,446,776
1,617,544	-	-	982,008	65,426,001
-	-	-	-	80,593,143
-	-	-	-	878,714,663
163,149,108	-	-	-	326,790,169
50,647,056	-	-	164,344	70,221,353
2,750,897	-	-	50,484	3,754,239
8,314,870	-	-	-	9,969,436
-	1,058,071,620	-	5,486,647	1,243,957,617
6,815,935	-	-	32,654	19,315,425
7,299,780	2,423,669	-	2,192,157	17,316,519
12,243,251	-	-	1,375	15,776,383
2,199,170	-	-	5,905,643	76,816,701
29,059,409	-	-	2,631	29,062,116
56,134,215	6,533,215	-	882,094	71,338,330
<b>340,231,235</b>	<b>1,067,028,504</b>	<b>0</b>	<b>15,700,037</b>	<b>4,018,098,868</b>
6,494,422	3,435,237	-	8,918,066	75,523,016
76,367,762	45,287,513	1,054,286	11,141,092	258,873,172
44,345,681	396,863,807	698,158,116	1,233,944	1,522,281,377
3,499,322	18,539,569	-	-	24,487,881
19,877,233	115,014,388	5,228,376	8,569,976	1,617,585,500
26,155,826	30,889,833	-	19,756,370	103,534,154
5,195,466	8,645,971	-	1,740,779	32,348,291
38,671	-	-	542	379,347,614
1,890,030	-	-	-	1,890,030
2,494,835	-	-	-	69,129,964
<b>186,359,248</b>	<b>618,676,318</b>	<b>704,440,778</b>	<b>51,360,769</b>	<b>4,085,000,999</b>
<b>153,871,987</b>	<b>448,352,186</b>	<b>(704,440,778)</b>	<b>(35,660,732)</b>	<b>(66,902,131)</b>
-	-	-	44,500,000	44,500,000
-	-	-	-	305,058
54,125,988	8,985,025	674,848,533	1,563,512	1,092,592,826
(190,618,316)	(449,377,991)	(21,318,230)	(4,228,626)	(1,067,903,003)
<b>(136,492,328)</b>	<b>(440,392,966)</b>	<b>653,530,303</b>	<b>41,834,886</b>	<b>69,494,881</b>
<b>17,379,659</b>	<b>7,959,220</b>	<b>(50,910,475)</b>	<b>6,174,154</b>	<b>2,592,750</b>
<b>97,861,044</b>	<b>53,009,069</b>	<b>19,865,186</b>	<b>48,998,234</b>	<b>429,093,980</b>
<b>\$ 115,240,703</b>	<b>\$ 60,968,289</b>	<b>\$ (31,045,289)</b>	<b>\$ 55,172,388</b>	<b>\$ 431,686,730</b>

**State of Vermont**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds to the**  
**Statement of Activities - Governmental Activities**  
**For the Fiscal Year Ended June 30, 2007**

**Total net change in fund balances from the previous page**..... \$ 2,592,750

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).

Capital outlay/functional expenditures and expensed net book value of disposed capital assets .....	148,400,774
Depreciation expense .....	(65,327,900)

Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayment.....	50,640,000
--------------------------	------------

Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Bonds issued.....	(44,500,000)
Bond premium is amortized over the life of the bonds in the statement of activities.....	987,043
Refunding bonds gain amortized over the life of the refunded bonds.....	(1,091,927)

Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities.....

259,046

Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds.....

24,282,715

Estimated personal income tax refunds that are not due and payable are not governmental fund liabilities.....

322,597

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net decrease in accrued interest payable.....	338,957
Accreted interest on capital appreciation bonds.....	(2,121,304)
Increase in compensated absences.....	(1,206,775)
Increase in employer pension related costs.....	(4,826,599)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds.

The net revenue (expense) of the internal service funds is reported with governmental activities.....

(3,916,600)

Notes and loans issued by governmental funds are reported as an expenditure in governmental funds and repayments are reported as a revenue in the governmental funds, but the issuances and repayment increase or decrease notes and loans receivable in the statement of net assets.....

10,409,966

**Total changes in net assets of governmental activities as reported on the statement of activities**.....

**\$ 115,242,743**

The accompanying notes are an integral part of these financial statements.

**Unemployment Compensation Trust Fund** – This fund pays claims for unemployment to eligible recipients and is funded through employer contributions, reimbursements, and federal grants.

**Liquor Control Fund** – This fund is consists of all receipts from the sale of spirits and other items by the department of liquor control; fees paid to the department of liquor control for the benefit of the department; all other amounts received by the department of liquor control for its benefit; and all amounts which are from time to time appropriated to the department of liquor control.

**Vermont Lottery Commission** – This fund is responsible for the establishment and management of a state lottery.

**Non-major Enterprise Funds** – These funds are presented beginning on page 151.

**Governmental Activities – Internal Service Funds** - These funds are maintained to account for the operation of state agencies that provide goods or services to other state agencies and other governmental units on a cost-reimbursement basis. These funds are presented in more detail beginning on page 159.

STATE OF VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents.....	\$ 185,764,913	\$ 2,341,018	\$ 1,963,502
Receivables:			
Taxes receivable (net of allowance for uncollectibles).....	11,879,733	-	-
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles).....	355,814	139,700	1,492,856
Loans receivable.....	-	-	-
Due from other funds.....	-	-	-
Intergovernmental receivable - federal.....	108,818	-	-
Inventories, at cost.....	-	4,352,189	389,493
Prepaid expenses.....	-	-	-
<b>Total current assets.....</b>	<b>198,109,278</b>	<b>6,832,907</b>	<b>3,845,851</b>
<b>Restricted and Noncurrent Assets:</b>			
Cash-subscription reserve fund.....	-	-	-
Investments.....	-	-	2,663,068
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	-
Imprest cash and change fund - advances.....	-	6,300	300,000
<b>Total restricted &amp; noncurrent assets.....</b>	<b>0</b>	<b>6,300</b>	<b>2,963,068</b>
<b>Capital Assets:</b>			
Land.....	-	-	-
Construction in progress.....	-	-	-
<b>Capital assets being depreciated:</b>			
Machinery, equipment and buildings.....	-	912,178	277,742
Less accumulated depreciation.....	-	(594,200)	(186,728)
<b>Total capital assets, net of depreciation.....</b>	<b>0</b>	<b>317,978</b>	<b>91,014</b>
<b>Total assets.....</b>	<b>198,109,278</b>	<b>7,157,185</b>	<b>6,899,933</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable.....	1,867,654	4,766,939	627,601
Accrued salaries and benefits.....	-	386,626	137,192
Claims payable.....	-	-	-
Due to lottery winners.....	-	-	483,334
Due to agents.....	-	339,390	-
Due to other funds.....	31,432	275,040	115,543
Interfund payable.....	-	-	-
Future and unclaimed prizes payable.....	-	-	2,419,723
Deferred revenue.....	-	-	156,298
Other liabilities.....	1,378,104	-	-
<b>Total current liabilities.....</b>	<b>3,277,190</b>	<b>5,767,995</b>	<b>3,939,691</b>
<b>Liabilities Payable From Restricted Assets:</b>			
Unexpired subscriptions.....	-	-	-
Due to lottery winners.....	-	-	2,079,462
Advances from other funds.....	-	6,300	300,000
<b>Total liabilities payable from restricted assets.....</b>	<b>0</b>	<b>6,300</b>	<b>2,379,462</b>
<b>Total liabilities.....</b>	<b>3,277,190</b>	<b>5,774,295</b>	<b>6,319,153</b>
<b>NET ASSETS</b>			
Invested in capital assets.....	-	317,978	91,014
Restricted for unemployment compensation benefits.....	194,832,088	-	-
Unrestricted.....	-	1,064,912	489,766
<b>Total net assets.....</b>	<b>\$ 194,832,088</b>	<b>\$ 1,382,890</b>	<b>\$ 580,780</b>

The accompanying notes are an integral part of these financial statements.

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Non-major Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>	
\$ 854,430	\$ 190,923,863	\$ 43,652,818	
-	11,879,733	-	
14,675	14,675	85,776	
274,133	2,262,503	15,009,726	
956,425	956,425	-	
31,432	31,432	-	
-	108,818	-	
399,540	5,141,222	2,856,356	
107,299	107,299	964,609	
<b>2,637,934</b>	<b>211,425,970</b>	<b>62,569,285</b>	
627,827	627,827	-	
-	2,663,068	-	
1,279,639	1,279,639	-	
47,848	47,848	-	
2,900	309,200	15,100	
<b>1,958,214</b>	<b>4,927,582</b>	<b>15,100</b>	
-	-	26,156	
-	-	1,928,682	
21,640	1,211,560	65,106,924	
(18,451)	(799,379)	(34,663,160)	
<b>3,189</b>	<b>412,181</b>	<b>32,398,602</b>	
<b>4,599,337</b>	<b>216,765,733</b>	<b>94,982,987</b>	
156,855	7,419,049	5,638,410	
97,901	621,719	3,242,329	
-	-	33,709,290	
-	483,334	-	
-	339,390	-	
-	422,015	146,575	
1,203,394	1,203,394	34,912,671	
-	2,419,723	-	
339,639	495,937	95,666	
-	1,378,104	-	
<b>1,797,789</b>	<b>14,782,665</b>	<b>77,744,941</b>	
627,827	627,827	-	
-	2,079,462	-	
2,900	309,200	15,100	
<b>630,727</b>	<b>3,016,489</b>	<b>15,100</b>	
<b>2,428,516</b>	<b>17,799,154</b>	<b>77,760,041</b>	
3,189	412,181	32,398,602	
-	194,832,088	-	
2,167,632	3,722,310	(15,175,656)	
<b>\$ 2,170,821</b>	<b>\$ 198,966,579</b>	<b>\$ 17,222,946</b>	

Adjustment to reflect the consolidation of internal service activities related to enterprise funds ..... 20,631  
Net Assets - Business-type Activities..... \$ 198,987,210

STATE OF VERMONT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>Operating Revenues</b>			
Charges for sales and services.....	\$ 57,487,562	\$ 41,123,316	\$ -
Ticket sales.....	-	-	104,513,886
Rental income.....	-	-	-
License fees.....	-	1,035,933	-
Federal donated property.....	-	-	-
Advertising revenue.....	-	-	-
Other operating revenues.....	13,333,661	1,834,875	36,971
<b>Total operating revenues.....</b>	<b>70,821,223</b>	<b>43,994,124</b>	<b>104,550,857</b>
<b>Operating Expenses</b>			
Cost of sales and services.....	-	33,524,795	-
Claims expense.....	80,762,797	-	-
Lottery ticket prizes.....	-	-	66,220,401
Agents commissions and fees.....	-	-	6,099,779
Tri-State (megabucks) and MUSL (powerball) expenses..	-	-	2,494,289
Lottery tickets.....	-	-	1,100,219
Salaries and benefits .....	-	-	1,227,098
Insurance premium expense.....	-	-	-
Transportation.....	-	-	224,792
Contractual services.....	-	-	-
Repairs and maintenance.....	-	-	-
Warehouse expense.....	-	1,186,849	-
Depreciation.....	-	121,432	38,159
Rental expense.....	-	-	63,440
Utilities and property management.....	-	-	-
Non-capital equipment purchased.....	-	-	-
Stores and agencies expense.....	-	5,127,565	-
Promotions and advertising.....	-	-	453,325
Administrative expenses.....	-	1,522,321	2,206,635
Inspection and enforcement expense.....	-	1,661,047	-
Supplies and parts.....	-	-	15,621
Distribution and postage.....	-	-	-
Travel.....	-	-	-
Loss on bad debts.....	300,000	-	-
Other operating expenses.....	13,333,662	517	1,071,060
<b>Total operating expenses.....</b>	<b>94,396,459</b>	<b>43,144,526</b>	<b>81,214,818</b>
<b>Operating income (loss).....</b>	<b>(23,575,236)</b>	<b>849,598</b>	<b>23,336,039</b>
<b>Non-Operating Revenues (Expenses)</b>			
Gain (loss) on disposal of capital assets.....	-	8,649	(91)
Investment income (expense).....	9,074,972	-	184,823
<b>Total non-operating revenues (expenses).....</b>	<b>9,074,972</b>	<b>8,649</b>	<b>184,732</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>(14,500,264)</b>	<b>858,247</b>	<b>23,520,771</b>
Capital contributions from (to) other funds.....	-	-	-
Transfer in.....	312,899	-	-
Transfer out.....	(301,726)	(663,305)	(23,572,425)
<b>Changes in net assets.....</b>	<b>(14,489,091)</b>	<b>194,942</b>	<b>(51,654)</b>
<b>Total net assets, July 1.....</b>	<b>209,321,179</b>	<b>1,187,948</b>	<b>632,434</b>
<b>Total net assets, June 30.....</b>	<b>\$ 194,832,088</b>	<b>\$ 1,382,890</b>	<b>\$ 580,780</b>

The accompanying notes are an integral part of these financial statements.

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>
<b>Non-major Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>
\$ 1,571,402	\$ 100,182,280	\$ 189,952,000
-	104,513,886	-
-	-	11,719,260
-	1,035,933	-
548,835	548,835	-
336,429	336,429	-
142,006	15,347,513	4,240,039
<b>2,598,672</b>	<b>221,964,876</b>	<b>205,911,299</b>
922,881	34,447,676	24,883,741
-	80,762,797	102,062,015
-	66,220,401	-
-	6,099,779	-
-	2,494,289	-
-	1,100,219	-
917,054	2,144,152	28,486,977
-	-	6,140,557
61,549	286,341	-
-	-	3,407,742
164	164	5,341,694
-	1,186,849	-
2,197	161,788	7,100,243
49,501	112,941	5,504,676
10,195	10,195	10,924,386
900	900	4,599,534
-	5,127,565	-
373,331	826,656	-
266,352	3,995,308	7,847,342
389	1,661,436	-
17,822	33,443	8,132,714
228,928	228,928	-
13,212	13,212	289,421
7,478	307,478	-
40,550	14,445,789	218,168
<b>2,912,503</b>	<b>221,668,306</b>	<b>214,939,210</b>
<b>(313,831)</b>	<b>296,570</b>	<b>(9,027,911)</b>
-	8,558	119,603
26,331	9,286,126	1,767,550
<b>26,331</b>	<b>9,294,684</b>	<b>1,887,153</b>
<b>(287,500)</b>	<b>9,591,254</b>	<b>(7,140,758)</b>
-	-	(14,612)
301,726	614,625	5,907,438
<b>(312,899)</b>	<b>(24,850,355)</b>	<b>(2,744,835)</b>
<b>(298,673)</b>	<b>(14,644,476)</b>	<b>(3,992,767)</b>
<b>2,469,494</b>	<b>213,611,055</b>	<b>21,215,713</b>
<b>\$ 2,170,821</b>	<b>\$ 198,966,579</b>	<b>\$ 17,222,946</b>

Total change in net assets reported above..... (14,644,476)  
Consolidation adjustment of internal service  
activities related to enterprise funds..... (76,167)  
Change in net assets - business-type activities..... \$ (14,720,643)

STATE OF VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

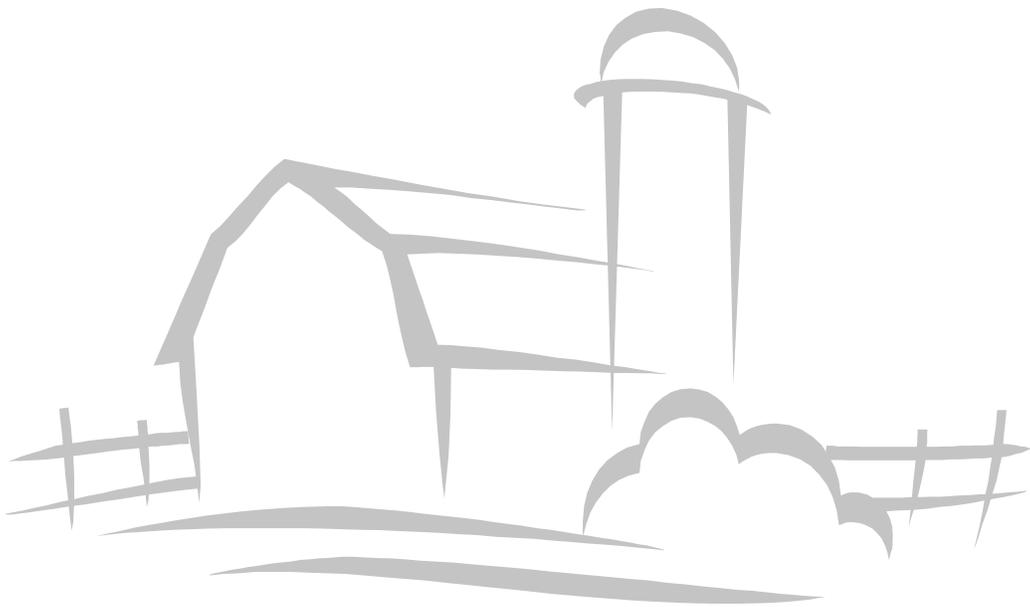
	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers.....	\$ 53,941,903	\$ 56,211,883	\$ 103,515,655
Cash paid to suppliers for goods and services.....	-	(38,470,047)	-
Cash paid to employees for services.....	-	(3,471,890)	(1,229,300)
Cash paid for prizes and commissions.....	-	-	(72,267,696)
Cash paid to claimants.....	(79,888,192)	-	-
Liquor taxes and licenses paid.....	-	(14,080,713)	-
Cash paid for fees, operations and other.....	-	-	(7,265,036)
Other operating revenues (expenses).....	46,496	1,834,358	36,971
<b>Net cash provided (used) by operating activities.....</b>	<b>(25,899,793)</b>	<b>2,023,591</b>	<b>22,790,594</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating transfers in (out).....	-	(663,305)	(23,445,259)
Interfund loans and advances.....	-	600	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>0</b>	<b>(662,705)</b>	<b>(23,445,259)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets.....	-	(193,558)	(19,339)
Proceeds from sale of capital assets.....	-	19,428	-
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b>0</b>	<b>(174,130)</b>	<b>(19,339)</b>
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends on investments.....	9,074,972	-	184,215
Proceeds from sales/maturities of investments.....	-	-	366,516
Interest & penalties received (paid).....	(281,669)	-	-
Excess cash transferred.....	312,899	-	-
<b>Net cash provided (used) by investing activities.....</b>	<b>9,106,202</b>	<b>0</b>	<b>550,731</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(16,793,591)</b>	<b>1,186,756</b>	<b>(123,273)</b>
<b>Cash and cash equivalents at July 1.....</b>	<b>202,558,504</b>	<b>1,160,562</b>	<b>2,386,775</b>
<b>Cash and cash equivalents at June 30 ( see note below).....</b>	<b>\$ 185,764,913</b>	<b>\$ 2,347,318</b>	<b>\$ 2,263,502</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss).....	\$ (23,575,236)	\$ 849,598	\$ 23,336,039
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>			
Depreciation and amortization.....	-	121,432	38,159
(Increase) decrease in accounts/taxes receivable.....	(3,234,942)	(28,079)	(985,587)
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventory.....	-	15,577	33,352
(Increase) decrease in prepaid expenses.....	-	-	-
(Increase) decrease in intergovernmental receivable - federal.....	35,779	-	-
Increase (decrease) in accounts payable.....	-	983,908	364,645
Increase (decrease) in accrued salaries and benefits.....	-	(1,549)	(2,202)
Increase (decrease) in claims payable.....	190,297	-	-
Increase (decrease) in due to lottery winners.....	-	-	(366,516)
Increase (decrease) in due to agents.....	-	63,192	-
Increase (decrease) in future and unclaimed prizes payable.....	-	-	385,348
Increase (decrease) in due to other funds.....	-	19,512	-
Increase (decrease) in deferred revenue.....	-	-	(12,644)
Increase (decrease) in other liabilities.....	684,309	-	-
Increase (decrease) in subscription reserves.....	-	-	-
<b>Total adjustments.....</b>	<b>(2,324,557)</b>	<b>1,173,993</b>	<b>(545,445)</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ (25,899,793)</b>	<b>\$ 2,023,591</b>	<b>\$ 22,790,594</b>

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

The accompanying notes are an integral part of these financial statements.

<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>	
<b>Non-major Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Total Internal Service Funds</b>	
\$ 3,160,727	\$ 216,830,168	\$ 198,999,794	
(3,014,061)	(41,484,108)	(76,183,213)	
(918,649)	(5,619,839)	(28,160,610)	
-	(72,267,696)	-	
-	(79,888,192)	(101,841,731)	
-	(14,080,713)	-	
-	(7,265,036)	-	
93,240	2,011,065	4,021,871	
<b>(678,743)</b>	<b>(1,764,351)</b>	<b>(3,163,889)</b>	
-	(24,108,564)	3,323,925	
382,009	382,609	4,280,911	
<b>382,009</b>	<b>(23,725,955)</b>	<b>7,604,836</b>	
-	(212,897)	(9,332,672)	
-	19,428	765,623	
<b>0</b>	<b>(193,469)</b>	<b>(8,567,049)</b>	
26,331	9,285,518	1,601,291	
-	366,516	-	
281,669	-	-	
(312,899)	0	-	
<b>(4,899)</b>	<b>9,652,034</b>	<b>1,601,291</b>	
<b>(301,633)</b>	<b>(16,031,741)</b>	<b>(2,524,811)</b>	
<b>1,786,790</b>	<b>207,892,631</b>	<b>46,192,729</b>	
<b>\$ 1,485,157</b>	<b>\$ 191,860,890</b>	<b>\$ 43,667,918</b>	
\$ (313,831)	\$ 296,570	\$ (9,027,911)	
2,197	161,788	7,100,243	
24,006	(4,224,602)	(2,706,698)	
(327,098)	(327,098)	-	
(9,280)	(9,280)	-	
-	-	35,232	
(34,202)	14,727	(230,109)	
52,432	52,432	95,677	
-	35,779	-	
(148,608)	1,199,945	2,344,614	
(1,572)	(5,323)	326,367	
-	190,297	220,284	
-	(366,516)	-	
-	63,192	-	
-	385,348	-	
-	19,512	111,343	
92,070	79,426	(1,432,931)	
-	684,309	-	
(14,857)	(14,857)	-	
<b>(364,912)</b>	<b>(2,060,921)</b>	<b>5,864,022</b>	
<b>\$ (678,743)</b>	<b>\$ (1,764,351)</b>	<b>\$ (3,163,889)</b>	

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**Pension and Other Postemployment Benefit Trust Funds**

These funds are used to account for defined benefit pension plans, defined contribution pension plans, and an other postemployment benefit trust fund. These funds are presented in combining financial statements beginning on page 179.

**Private Purpose Trust Fund**

Unclaimed Property Fund – This fund is used to account for the activities of the Unclaimed Property Division of the State Treasurer’s Office. The Unclaimed Property Divisions’ purpose is to locate and return various forms of unclaimed financial property to the rightful owners or their heirs.

**Agency Funds**

Agency Funds account for assets held by the State as an agent for other governmental units, other organizations or individuals. These funds are presented in more detail beginning on page 185.

**STATE OF VERMONT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007**

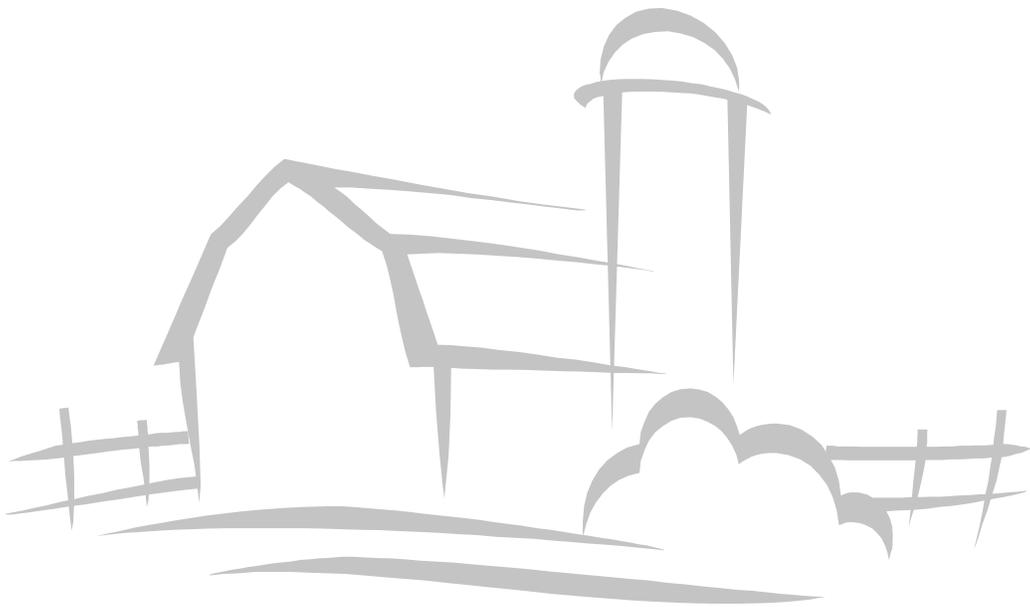
	<b>Pension and Other Postemployment Benefits Trust Funds</b>	<b>Private Purpose Trust Fund Unclaimed Property Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 273,858,502	\$ 4,386,537	\$ 5,859,631
Investments at fair value.....	3,375,489,070	2,434,047	-
Receivables:			
Taxes.....	-	-	1,315,207
Contributions - current.....	8,310,597	-	-
Contributions - non-current.....	10,773,134	-	-
Interest and dividends.....	18,137,632	-	-
Investments sold.....	426,815,007	-	-
Other.....	319,617	-	78,989
Due from other funds.....	319,878	-	50,450
Prepaid expenses.....	2,477,341	-	-
Other assets.....	-	647,409	-
Capital assets:			
Construction in progress.....	1,529,753	-	-
<b>Total assets.....</b>	<b><u>4,118,030,531</u></b>	<b><u>7,467,993</u></b>	<b><u>7,304,277</u></b>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable.....	2,503,263	52,282	-
Accrued liabilities.....	-	16,983	-
Claims payable.....	-	6,744,794	-
Due to other funds.....	-	-	724,027
Retainage.....	220,553	-	-
Interfund loans payable.....	-	-	120,606
Due to depositories.....	-	-	18,947
Intergovernmental payable - other governments.....	-	-	2,175,356
Amounts held in custody for others.....	-	-	3,205,023
Payable for investments purchased.....	581,821,501	-	-
Other liabilities.....	-	-	1,060,318
<b>Total liabilities.....</b>	<b><u>584,545,317</u></b>	<b><u>6,814,059</u></b>	<b><u>\$ 7,304,277</u></b>
<b>Net assets held in trust for benefits &amp; other purposes.....</b>	<b><u>\$ 3,533,485,214</u></b>	<b><u>\$ 653,934</u></b>	
<b>RECONCILIATION OF NET ASSETS HELD IN TRUST:</b>			
Employees' pension benefits.....	\$ 3,531,274,340	\$ -	
Employees' other postemployment benefits.....	2,210,874	-	
Other purposes.....	-	653,934	
<b>Net assets held in trust for benefits &amp; other purposes.....</b>	<b><u>\$ 3,533,485,214</u></b>	<b><u>\$ 653,934</u></b>	

**STATE OF VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>Pension and Other Postemployment Benefits Trust Funds</b>	<b>Private Purpose Trust Fund Unclaimed Property Fund</b>
<b>ADDITIONS</b>		
<u>Contributions:</u>		
Employer.....	\$ 89,896,973	\$ -
Plan member.....	49,015,170	-
Transfers from non-state systems.....	452,778	-
Medicare part D drug subsidy.....	1,154,801	-
Total contributions.....	140,519,722	0
<u>Investment Income:</u>		
Net appreciation in fair value of investments.....	388,324,254	-
Dividends.....	41,817,929	-
Interest income.....	74,290,098	129,899
Securities lending income.....	2,211,442	-
Other income.....	3,022,130	185,776
<u>Less Investment Expenses:</u>		
Investment managers and consultants.....	(12,053,163)	-
Securities lending expenses.....	(511,751)	-
Net investment income.....	497,100,939	315,675
Escheat property remittances.....	-	3,936,437
<b>Total additions.....</b>	<b>637,620,661</b>	<b>4,252,112</b>
<b>DEDUCTIONS</b>		
Retirement benefits.....	154,047,798	-
Other post employment benefits.....	26,810,594	-
Refunds of contributions.....	3,703,983	-
Death claims.....	836,880	-
Operating expenses.....	2,043,630	640,428
Transfers out.....	-	3,616,696
<b>Total deductions.....</b>	<b>187,442,885</b>	<b>4,257,124</b>
<b>Change in net assets.....</b>	<b>450,177,776</b>	<b>(5,012)</b>
<b>Net assets held in trust for employees' pension and other postemployment benefits, and other purposes:</b>		
July 1.....	3,083,307,438	658,946
June 30.....	\$ 3,533,485,214	\$ 653,934

The accompanying notes are an integral part of these financial statements.

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**Vermont Student Assistance Corp** – This is a not for profit organization that provides financial aid to Vermonters who desire to go to college or other post high school training.

**University of Vermont and State Agricultural College** – This is a state supported university located in Burlington, VT.

**Vermont State Colleges** – This is a system of 11 organizations that provide college level degree programs.

**Non-major Component Units** – The nine non-major component units are presented beginning on page 189.

**STATE OF VERMONT**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**June 30, 2007**

	Vermont Student Assistance Corporation 06/30/2007	University of Vermont and State Agricultural College 06/30/2007	Vermont State Colleges 06/30/2007	Non-major Component Units	Total Component Units
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents.....	\$ 267,058,000	\$ 25,067,000	\$ 2,393,941	\$ 27,502,002	\$ 322,020,943
Investments.....	3,051,000	95,154,000	18,691,849	29,141,184	146,038,033
Accounts receivable (net).....	-	46,015,000	7,688,578	1,563,814	55,267,392
Accrued interest receivable - loans.....	54,979,000	-	-	16,411,341	71,390,341
Accrued interest receivable - investments.....	777,000	-	-	-	777,000
Loans and notes receivable - current portion.....	126,260,000	3,336,000	-	45,719,114	175,315,114
Other receivables.....	1,198,000	3,299,000	-	58,372	4,555,372
Due from federal government.....	567,000	-	-	13,286,956	13,853,956
Due from primary government.....	-	-	-	300,000	300,000
Inventories (at cost).....	-	-	99,803	108,693	208,496
Other current assets.....	1,526,000	8,546,000	1,065,754	571,225	11,708,979
<b>Total current assets.....</b>	<b>455,416,000</b>	<b>181,417,000</b>	<b>29,939,925</b>	<b>134,662,701</b>	<b>801,435,626</b>
Restricted and Non-Current Assets:					
Cash and cash equivalents.....	-	8,281,000	677,519	733,791	9,692,310
Investments.....	-	352,174,000	33,050,602	46,799,541	432,024,143
Deferred bond issue costs.....	9,319,000	-	-	5,745,341	15,064,341
Loans and notes receivable (net).....	1,714,194,000	23,983,000	5,129,643	580,321,725	2,323,628,368
Other assets.....	-	15,531,000	-	5,137	15,536,137
<b>Total restricted and noncurrent assets.....</b>	<b>1,723,513,000</b>	<b>399,969,000</b>	<b>38,857,764</b>	<b>633,605,535</b>	<b>2,795,945,299</b>
Capital Assets:					
Land.....	3,150,000	19,846,000	5,386,653	313,608	28,696,261
Construction in process.....	-	63,286,000	4,857,951	949,558	69,093,509
Building and leasehold improvements.....	16,649,000	500,644,000	128,089,997	15,185,657	660,568,654
Equipment, furniture and fixtures.....	9,502,000	126,817,000	10,673,286	3,051,644	150,043,930
Infrastructure.....	-	-	19,886,178	-	19,886,178
Accumulated depreciation.....	(6,673,000)	(230,479,000)	(86,333,854)	(11,915,610)	(335,401,464)
<b>Total capital assets, net of depreciation.....</b>	<b>22,628,000</b>	<b>480,114,000</b>	<b>82,560,211</b>	<b>7,584,857</b>	<b>592,887,068</b>
<b>Total assets.....</b>	<b>2,201,557,000</b>	<b>1,061,500,000</b>	<b>151,357,900</b>	<b>775,853,093</b>	<b>4,190,267,993</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable and accrued liabilities.....	5,257,000	50,711,000	14,376,982	2,393,932	72,738,914
Accrued interest payable.....	-	-	-	921,322	921,322
Bond interest payable.....	3,746,000	-	-	1,811,519	5,557,519
Deferred revenue.....	5,150,000	19,235,000	6,239,752	119,355	30,744,107
Current portion of long-term liabilities.....	42,202,000	5,506,000	2,501,110	133,883,685	184,092,795
Due to primary government.....	-	-	-	3,795,456	3,795,456
Escrowed cash deposits.....	-	-	-	157,332	157,332
Other current liabilities.....	-	-	-	10,024,547	10,024,547
<b>Total current liabilities.....</b>	<b>56,355,000</b>	<b>75,452,000</b>	<b>23,117,844</b>	<b>153,107,148</b>	<b>308,031,992</b>
Restricted and Non-Current Liabilities:					
Bonds, notes and leases payable.....	1,974,665,000	364,981,000	48,033,658	436,396,615	2,824,076,273
Accounts payable and accrued liabilities.....	-	-	726,255	-	726,255
Accrued arbitrage rebate.....	31,707,000	-	-	1,000,600	32,707,600
Other liabilities.....	-	15,268,000	6,152,947	30,784	21,451,731
<b>Total liabilities payable from restricted assets.....</b>	<b>2,006,372,000</b>	<b>380,249,000</b>	<b>54,912,860</b>	<b>437,427,999</b>	<b>2,878,961,859</b>
<b>Total liabilities.....</b>	<b>2,062,727,000</b>	<b>455,701,000</b>	<b>78,030,704</b>	<b>590,535,147</b>	<b>3,186,993,851</b>
<b>NET ASSETS</b>					
Invested in capital assets, (net of related debt).....	2,067,000	122,888,000	34,779,812	6,166,121	165,900,933
Restricted.....	85,581,000	371,192,000	15,512,201	133,794,679	606,079,880
Unrestricted - designated.....	-	-	-	30,000	30,000
Unrestricted.....	51,182,000	111,719,000	23,035,183	45,327,146	231,263,329
<b>Total net assets.....</b>	<b>\$ 138,830,000</b>	<b>\$ 605,799,000</b>	<b>\$ 73,327,196</b>	<b>\$ 185,317,946</b>	<b>\$ 1,003,274,142</b>

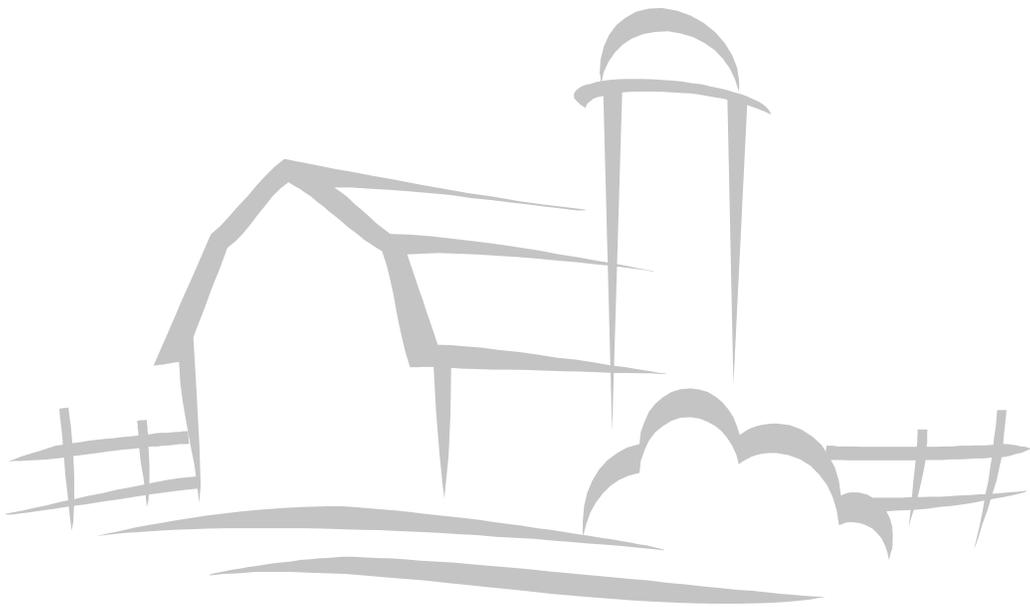
The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Function/Program</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Vermont Student Assistance Corporation.....	\$ 176,918,000	\$ 106,540,000	\$ 75,979,000	\$ -	\$ 5,601,000
University of Vermont and State Agricultural College.....	505,403,000	262,342,000	202,520,000	15,558,000	(24,983,000)
Vermont State Colleges.....	141,662,574	91,035,108	51,239,108	2,606,127	3,217,769
Non-major component units.....	70,645,626	44,385,811	13,871,134	929,391	(11,459,290)
Total component units.....	<u>\$ 894,629,200</u>	<u>\$ 504,302,919</u>	<u>\$ 343,609,242</u>	<u>\$ 19,093,518</u>	<u>(27,623,521)</u>
General Revenues:					
Property transfer tax.....					13,763,883
Investment income.....					93,754,115
Additions to non-expendable endowments.....					957,875
Miscellaneous.....					546,525
Total general revenues.....					<u>109,022,398</u>
Changes in net assets.....					81,398,877
Net assets - beginning, restated.....					<u>921,875,265</u>
Net assets - ending.....					<u>\$ 1,003,274,142</u>

The accompanying notes are an integral part of these financial statements.

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**State of Vermont**  
**Notes to the Financial Statements**  
**Fiscal Year Ended June 30, 2007**

**INDEX**

	<u>Page No.</u>
Note 1	Summary of Significant Accounting Policies..... 64
Note 2	Cash, Cash Equivalents, and Investments..... 77
Note 3	Interfund Balances..... 89
Note 4	Capital Assets..... 92
Note 5	Pension and Other Postemployment Benefits..... 93
Note 6	Restricted Net Assets - Discretely Presented Component Units..... 103
Note 7	Lease Commitments..... 103
Note 8	General Obligation Bonds Payable..... 105
Note 9	Prior Years' Bond Refundings..... 108
Note 10	Budget Stabilization Reserves..... 108
Note 11	Contingent and Limited Liabilities..... 108
Note 12	Litigation..... 109
Note 13	Joint Venture..... 109
Note 14	Risk Management..... 110
Note 15	Deficit Fund Balances/Net Assets..... 113
Note 16	Changes in Long-Term Liabilities..... 116
Note 17	Restatements..... 116
Note 18	Subsequent Events..... 117

**STATE OF VERMONT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Vermont have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statement No. 43 – “Financial Reporting for Postemployment Benefit Plans other Than Pension Plans.”

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2007.

**A. Reporting Entity**

The financial statements include the various agencies, boards, commissions, public trusts, and authorities of the State as well as legally separate entities over which the State’s executive, legislative, and judicial branches exercise oversight responsibility. Oversight responsibility as defined by GASB includes the following considerations:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

In addition, the following criteria were considered during the evaluation of the legally separate entities for inclusion in the CAFR as Component Units:

the scope of public services as to whether its activity benefits the State or its citizens, and whether the activity is conducted within the geographic boundaries of Vermont and is generally available to Vermont residents; and

the existence of any special relationships regardless of whether the government exercises oversight responsibility that would cause the State’s financial statements to be misleading or incomplete if the entity’s financial activity were to be omitted.

Entities that may meet only one of the above criteria have not been included in this report.

As required by generally accepted accounting principles, these financial statements present the primary government and component units of the State of Vermont.

**COMPONENT UNITS**

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State’s financial statements to be misleading or incomplete. Their activity may be “blended” into the activity of the primary government or may be reported separately. If they are reported separately, they are called “discretely presented component units.” Vermont does not report any blended component units in this CAFR but does report discretely presented component units, some of whom report blended component units in their respective financial statements (See the Vermont Municipal Bond Bank). Each Component Unit’s designation as either “major” or “non-major” has been determined by applying the criteria of GASB Statement No. 34. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional

information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The “Discretely Presented Component Units” columns contained in the government-wide financial statements report the financial results of the following entities:

#### Major Component Units

*Vermont Student Assistance Corporation (VSAC)* – VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. For further information, contact their administrative offices at the Champlain Mill, P.O. Box 2000, Winooski, Vermont 05404-2601.

*University Of Vermont (UVM)* - The University of Vermont’s financial report includes both the university and the State Agricultural College. Additional information may be obtained by contacting the university’s administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

*Vermont State College System (VSC)* – The Vermont State College System’s annual report includes the financial activity for the following organizations:

- System Offices and Services
- Community College of Vermont
- Castleton State College
- Johnson State College
- Lyndon State College
- Vermont Technical College
- Vermont Interactive Television
- Practical Nursing Program
- Vermont Manufacturing Extension Center

Additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, Stanley Hall, Park Street, P.O. Box 359, Waterbury, Vermont 05676.

#### Non-major Component Units

*Vermont Economic Development Authority (VEDA)* – VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, and the Brownsfield Revitalization Fund. These three funds are administered for the benefit of the State and are consolidated and reported in VEDA’s agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 56 East State Street, Suite 5, Montpelier, Vermont 05602.

*Vermont Housing and Conservation Board (VHCB)* – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont’s agricultural lands, historic properties, important natural areas, and recreational lands. VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 149 State Street, Montpelier, Vermont 05602.

*Vermont Sustainable Jobs Fund, Inc.* – The Vermont Legislature established a jobs program and directed VEDA to set up a non-profit 503(c)(3) corporation to implement the program and to establish policies and procedures in order to fulfill the goals of the jobs program as listed in 10 V.S.A. 326(a). Audited financial statements and

additional information may be obtained by contacting them at 56 East State Street, Montpelier, Vermont 05602.

*Vermont Municipal Bond Bank (VMBB)* – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. VMBB is authorized to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. It has an annual fiscal year (December 31) and issues audited financial statements under separate cover.

VMBB also administers the *Special Environmental Revolving Fund* in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and issues its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 58 East State Street, Montpelier, Vermont 05601-0564.

*Vermont Educational and Health Buildings Financing Agency (VEHBFA)* – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible educational or health related entities. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 58 East State Street, Montpelier, Vermont 05601-0564.

*Vermont Center For Geographic Information (VCGI)* – The Vermont Legislature established VCGI and charged it with creating a comprehensive strategy for the development and use of a geographic information system. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Suite 2, Waterbury, Vermont 05676.

*Vermont Veterans' Home* – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The Vermont Veterans' Home issues its own audited financial statements under separate cover. Additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

*Vermont Rehabilitation Corporation* – The Vermont Rehabilitation Corporation is a non-profit quasi-public corporation that was incorporated in 1935 in accordance with 10 V.S.A. 272-277. Its main purpose is to provide a limited source of loan funds to family farmers or prospective family farmers under terms and conditions which will reduce their investment costs to an extent that offers them a reasonable chance to succeed. Additional information may be obtained by contacting the Vermont State Treasurer at 109 State Street, 4<sup>th</sup> Floor, Montpelier, Vermont 05609-6200.

*Vermont Film Corporation* – The Vermont Film Corporation is a non-profit public corporation, created pursuant to 10 V.S.A. 644-650, for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions. Additional information may be obtained by contacting the corporation at 10 Baldwin St., Drawer 33, Montpelier, Vermont 05633-2001.

*Vermont Transportation Authority (VTA)* – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633-5001.

---

---

### JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities of this organization is not included in the State's financial statements; however, see Note 13 for additional information regarding the organization.

### JOINTLY-GOVERNED ORGANIZATIONS

The following organizations are classified as jointly-governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)  
New England Board of Higher Education (16 V.S.A. 2692)  
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)  
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

### RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The following entities have been classified as related organizations, and thus their financial activity has not been included in the State's financial statements.

Vermont State Housing Authority (24 V.S.A. 4005)  
Vermont Housing Finance Agency (10 V.S.A. 611)

### EXCLUDED ORGANIZATIONS

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity."

Vermont Council on the Humanities  
Vermont Council on the Arts  
Vermont Historical Society  
Vermont Public Power Supply Authority  
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)  
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

### **B. Government-wide Financial Statements**

Vermont's Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. Primary government activities are segregated

between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets (the amount by which assets exceed liabilities) are reported on the Statement of Net Assets in three components:

- (1) Invested in capital assets, net of related debt – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets;
- (2) Restricted – for amounts when constraints placed on the net assets are either externally imposed, or are imposed by constitutional provisions or enabling legislation. The amount of net assets restricted by enabling legislation for the State as of June 30, 2007 is \$94,142,258.
- (3) Unrestricted – the total net assets which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

### **C. Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds are consolidated and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc) for all funds in that category or type (that is total governmental or total enterprise), **and**
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

### **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide Financial Statements* – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

*Governmental Fund Financial Statements* – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. See special consideration for personal income tax revenue recognition under the “Receivables” section of this footnote.

Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

- a. Employees’ vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State’s share of any payroll taxes that will be due when the expenditures are actually paid. See the “Compensated Absences” section of this footnote for additional information.
- b. Interest on general long-term debt is recognized when due to be paid.
- c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

*Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units* – The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. The State’s enterprise funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non–operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

*University of Vermont (UVM) and the Vermont State College System (VSC)* – These entities account for their activity using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles set forth for public colleges and universities.

## **E. Fund Accounting**

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds:

### GOVERNMENTAL FUNDS

*General Fund* – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year.

*Special Revenue Funds* - These funds are used to account for revenues specifically earmarked to finance only particular or restricted programs and activities and include the following:

*Transportation Fund* – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State’s transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for maintenance and staffing of highway rest areas, construction of transportation capital facilities, and to provide funding for transportation related debt service requirements. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

*Education Fund* – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and education property tax rebates. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

*Special Fund* – This fund is a major special revenue fund. It consolidates many individual special revenue funds that account for proceeds or specific revenues not categorized above that are legally restricted to expenditures for specific purposes. These purposes cross the entire range of state government activities.

*Federal Revenue Fund* – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for transportation or fish and wildlife purposes. Federal grants of these latter two types are recorded in the State’s Transportation Fund or Fish and Wildlife Fund respectively.

*Global Commitment (to health) Fund* – This fund is a major special revenue fund created in accordance with Section 16c of 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services for five years but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Resources (AHS) has contracted with the Office of Vermont Health Access, which will serve as a publicly sponsored managed care organization, and adhere to all Federal managed care organization regulations.

General, Special and Federal Revenue Funds are used to fund payments of actuarially certified premiums from the Agency of Human Services to the managed care organization within the Office of Vermont Health Access for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General, Special and Federal Revenue Funds and as transfers in to the Global Commitment Fund.

These funds will be expended as appropriated by the general assembly, authorized by the Director of the Office of Vermont Health Access, and approved by the Commissioner of Finance and Management consistent with agreements between the managed care organization within the Office of Vermont Health Access and departments delivering eligible services under the waiver.

Non-major governmental funds column includes the balances and activities of the following:

*Fish and Wildlife Fund* – This fund is a non-major special revenue fund. The fund’s revenue is restricted by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

*Capital Projects Funds* – These funds, consisting of the General Bond Fund and the Transportation Bond Fund, are non-major governmental funds, and account for capital improvement expenditures. These appropriations are primarily funded by the issuance of State capital bonds. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

*Permanent Funds* – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

#### PROPRIETARY FUNDS

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

*Enterprise Funds* – These eight funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State’s intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds, reporting the activities of the State’s unemployment compensation program, the liquor control board, and the State’s lottery program, are reported as “major funds” while the remaining five are reported as non-major funds.

*Unemployment Compensation Trust Fund* – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

*Liquor Control Fund* – accounts for the operations of the Liquor Control Board which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 40).

*Vermont Lottery Commission* – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the Vermont Lottery Commission used to support public education and are transferred monthly to the Education Fund.

*Internal Service Funds* – These funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State’s internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In 2007, the E-Procurement Fund is reported as a separate internal service fund. The activities of this fund were previously reported in the Supply Center Fund. This brings the total number of internal service funds reported by the State to twenty-three. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

#### FIDUCIARY FUNDS

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

*Pension and Other Postemployment Benefit Trust Funds* – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement System of Vermont, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, and the State Employees' Post-Employment Benefit Trust Fund.

*Private Purpose Trust Fund* – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The State Treasurer administers procedures for returning this property to its rightful owner if he/she can be located. In addition to monetary assets, from time to time the State Treasurer may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of \$100,000 or fifty percent of the amount received during the previous year, and the balanced is transferred to the General Fund. Amounts for which the eligibility period for being claimed has expired are transferred to the Higher Education Endowment Fund (a permanent fund).

*Agency Funds* – These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social security tax withholding, etc.

#### BUDGETARY PROCESS

Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually at the program level. The Governor may amend appropriations within limits established by statute. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

#### CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer, except for the Pension Trust Funds, Capital Projects Funds, and the Single Deposit Investment Account Fund. Cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of 3 months or less such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

#### INVESTMENTS

Investments are stated at fair value. Fair values of investments are based on quoted market prices. Additional information regarding types of investments and basis of valuation, see Note 2.

#### RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants receivable.

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, and expenditure reimbursements due to the Medicaid program from drug companies and third party insurance companies. Revenues accrued in the governmental funds financial statements consist primarily of accrued taxes, and notes receivable from component units that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period is recorded as deferred revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes receivable in the General Fund consist primarily of Vermont Economic Development Authority notes purchased by the State. See Note 12 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

The "Investments Sold" receivable balance on the Statement of Fiduciary Net Assets – Pension Trust Funds represent monies due to the respective retirement funds for investments sold or matured prior to the statement date, but for which the receipts were received subsequent to year-end.

#### INVENTORIES

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market, except inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost. Cost valuation methods used in the various funds are as follows: weighted average method – Liquor Control enterprise fund, Vermont Life Magazine enterprise fund, Highway Garage internal service fund, and Offender Work Programs internal service fund; specific identification method – Vermont Lottery Commission enterprise fund, Federal Surplus Property enterprise fund, and State Surplus Property internal service fund; and first-in, first-out method – Postage internal service fund.

#### PREPAID EXPENSES

In governmental funds, all purchases are recorded as expenditures when paid. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

#### CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure assets, are recorded in the Government-wide Statement of Net Assets at historical cost if available or, if donated or the actual cost is not known, at the estimated fair market value at the date the State acquired them. Interest incurred on debt issued for construction of these capital assets is not capitalized.

Vermont defines a Capital Asset as a physical resource that costs at least \$5,000 and provides a future economic benefit for a minimum of 2 years. This includes capital leases and buildings that are not considered to be part of an infrastructure asset. All land, regardless of cost, is capitalized and is not depreciated.

Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as compared to State employees, cost at least \$50,000 and provide future economic benefit for at least 3 years. Normally, infrastructure assets are much greater in value, have a longer economic life, and can be preserved for a greater number of years than most capital assets.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years, equipment is 3 to 24 years and infrastructure assets are 6 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

Capital assets in the proprietary funds are capitalized at cost when acquired. Depreciation is calculated and recorded using the straight-line method with estimated useful lives being the same as those for the governmental capital assets.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements.

#### DEFERRED REVENUE

Revenues in the government-wide financial statements and the proprietary fund financial statements are deferred if cash has been received prior to being earned. In governmental fund statements deferred revenues are recognized when revenues are unearned or unavailable.

#### ACCOUNTS PAYABLE

The accounts payable balances contained in the financial statements consist of operating liabilities that were incurred and payment was due prior to year-end (usually June 30) and where payment was actually made subsequent to year-end. When paying its liabilities, it is the policy of the State to apply restricted resources first to situations where either restricted or unrestricted net assets may be used.

The "payable for investments purchased" balance for the Pension Trust Funds represents amounts due for securities purchased prior to year-end, which were paid subsequent to year-end.

#### ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of the statement date. Retainage payable consists of portions of progress payment amounts due to contractors that have been withheld and which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

#### TAX REFUNDS PAYABLE

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their personal income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2007 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2007. The amount reported as tax refunds payable at June 30, 2007 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar

quarters of year 2007 tax liability as well as overpayments for calendar year 2006 and prior years' tax liabilities that have not been paid out as of June 30, 2007.

#### ARBITRAGE REBATE OBLIGATIONS

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2007, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely-presented component units are included in "Other Long-term Liabilities" in the government-wide statement of activities.

#### ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Un-liquidated encumbrances remaining at fiscal year-end are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

#### FUND BALANCES

Fund balances for governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either (1) assets which, by their nature, are not available for appropriation; (2) funds legally separated for a specific use such as "reserved for encumbrances;" or (3) funds segregated by legal restrictions.

Certain other reservations of the Governmental Funds' fund balances are described below.

*Budget Stabilization Reserve* – These reserves are established in the General, Transportation, and Education funds. They were created to reduce the effects of annual variations in State revenues by reserving certain surpluses of revenue. See Note 10 for a more complete disclosure of these reserves as it pertains to the current fiscal year.

*Reserve For Debt Service* – During fiscal year 1993, the State initiated a lawsuit to recover costs associated with asbestos removal. A settlement agreement between the contractor and the State was reached which resulted in net proceeds being credited to and reserved in the General Fund to meet future debt obligations associated with issuance of bonds relating to asbestos removal. The reserved amount is reduced annually through fiscal year 2009 in proportion to the repayment schedule of the bonds issued to refinance the asbestos removal. The reserve for debt service also includes the premium on the sale of bonds for general obligation bonds sold during the fiscal year. This portion of the reserve will be appropriated in the following fiscal year to be used on the first payment of principal or interest due on the bonds.

*Reserve For Human Caseload Management* – The General Fund reserve for human caseload management, established pursuant to 32 V.S.A. Section 308b(a) was created to be available for appropriation to meet caseload-related needs at the Agency of Human Services. The Secretary of Administration may transfer to this reserve any general fund unexpended appropriations directly attributable to Aid To Needy Families With Children (ANFC) caseload reductions and the effective management of related federal receipts.

#### COMPENSATED ABSENCES

Compensated absences liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments

or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within an accrual year or forfeited.

Liabilities for compensated absences are recorded in the fund where the employees are assigned. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note 16 – Changes in Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

#### BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In the government-wide financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

#### INTERFUND TRANSACTIONS

*Interfund Loans* – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

*Reimbursements* – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

*Quasi-External Transactions* – These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

*Transfers* – These transfers encompass all types of transfers, except for the residual equity transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, that affect disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

**Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS****A. Primary Government – Excluding Pension Trust Funds**

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer. The State has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of state statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the trust investment account.

**Deposits - Custodial Credit Risk**

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and are uncollateralized or collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent but not in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension trust funds, as of June 30, 2007 (including \$40 million certificates of deposits) were \$193,774,801. Of these, \$9,863,533 was exposed to custodial credit risk as uninsured and uncollateralized. In addition, \$2,650,000 is collateralized by securities held in the bank trust departments but not in the State's name.

**Investments**

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

***(a) Interest Rate Risk – Investments***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government's investments, other than pension trust fund investments, at June 30, 2007 are presented in the following schedule.

## Primary Government Investments - Excluding Pension Trust Funds

(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to <6	6 to 10	More Than 10
US Agencies/Treasuries.....	\$ 37,795	\$ 4,221	\$ 945	\$ 951	\$ 31,678
Money Market Mutual Fund.....	190,185	190,185	-	-	-
Commercial Paper.....	24,976	24,976	-	-	-
Other.....	604	94	291	141	78
Total.....	253,560	\$ 219,476	\$ 1,236	\$ 1,092	\$ 31,756

**Other Investments**

Equity Securities.....	19,623
US Unemployment Trust Pool....	185,713
<b>Total.....</b>	<b>\$ 458,896</b>

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes. The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*).

**Primary Government - Excluding Pension Trust Funds**

<b>Investments per maturity schedule.....</b>	<b>\$ 458,896</b>
<b>Included in cash &amp; cash equivalents:</b>	
Money market mutual fund.....	(188,752)
Commercial paper.....	(24,976)
US Treasury trust pool.....	(185,713)
Certificates of deposit.....	19,450
<b>Financial statement investments total.....</b>	<b>\$ 78,905</b>
Governmental activities total.....	\$ 73,808
Business activities total.....	2,663
Fiduciary - private purpose trust fund.....	2,434
<b>Total.....</b>	<b>\$ 78,905</b>

**(b) Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2007, no single issuer exceeded 5% for the primary government portfolios.

**(c) Custodial Credit Risk**

For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2007 all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

**(d) Credit Risk**

Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of pension fund investments, as of June 30, 2007, is presented as follows using the Moody's rating scale.

**Primary Government Rated Debt Investments - Excluding Pension Trust Funds***(Expressed in Thousands)*

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>Aaa</u>	<u>Unrated</u>	<u>Short Term A1/A1+</u>
US Agencies/Treasuries.....	\$ 37,795	\$ -	\$ 37,795	-
Money Market Mutual Fund.....	190,185	190,085	100	-
Commercial Paper.....	24,976	-	-	24,976
Other.....	604	-	604	-

**(e) Foreign Currency Risk**

Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds investing in domestic instruments. In the TIA portfolio, total exposure to foreign currency risk, valued in US dollars, is shown below.

**Primary Government Investments  
- Excluding Pension Trust Funds**

**Foreign Currency Risk  
- International Securities at Fair Value**

<u>Currency</u>	<u>Equity</u>
Canadian Dollar.....	\$ 150,400
Euro Currency.....	409,955
Pound Sterling.....	169,620
Singapore Dollar.....	219,240
<b>Total.....</b>	<b>\$ 949,215</b>

**B. Primary Government – Pension Trust Funds**

The State has three defined benefit plans (Vermont State Retirement, State Teachers, and Vermont Municipal Employees), three defined contribution plans (Vermont State Retirement, and Vermont Municipal Employees, and Single Deposit Investment Account), one other post employment benefit trust fund, which comprise the Pension Trust Funds.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was created by the Vermont Legislature effective July 1, 2005. The majority of these assets have been pooled for investment purposes. Each of the defined benefit plans has equity in pooled investment vehicles based on funds contributed and earnings allocated. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems. Individual investment securities are not specifically identified to any defined benefit plan. For financial statement presentation, the pooled assets, liabilities, revenues, and expenses have been allocated to each defined benefit plans' pension trust fund.

Each defined benefit plan has its own asset allocation as determined by the VPIC and deemed adopted by each system's board in the absence of board action to the contrary. As of May 31, 2006, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in two intermediate term bond portfolios managed by two different investment managers. The portfolios are measured against the Lehman Intermediate Term Bond index with an investment objective of exceeding this index over rolling three year periods. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized Mortgage Obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds. The bonds are "wrapped" by an insurance policy guaranteeing the book principal value of investment to SDIA Account participants. This insurance wrapper requires monthly adjustments of participant crediting rates based on the changing market value of the portfolio. The insurance provider is rated double-A by Moody's and Standard & Poor's.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Fidelity Investments Institutional Operations Company. Investment choices are made by participants from a range of funds approved by the trustees' for the plans. Investment options are Fidelity and non-Fidelity mutual funds including large and small market capitalization equities (actively managed and indexed), international equities, fixed income securities, balanced funds, target retirement date age based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Fidelity provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement's Board.

#### **Deposits - Custodial Credit Risk**

The pension trust funds' cash deposits, outside of the pension trust funds' custodian bank, totaled \$9,144,471, none of which was exposed to custodial credit risk. Of this total, \$1,801,031 is in overnight money market funds which are not subject to classification as their existence is not evidenced by specific securities. In addition, there is \$205,905,200 in overnight cash vehicles at the custodial bank, also not exposed to custodial risk because their existence is not evidenced by specific securities.

#### **Investments**

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available. Real estate (including timber investments) is carried at the net asset value of each retirement system's real estate fund investment(s), which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity and venture capital, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earning multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

*(a) Interest Rate Risk – Investments*

Pension Trust Fund Investments are as follows:

**Pension Trust Funds - Investments**  
*(Expressed in Thousands)*

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 to &lt; 6</u>	<u>6 to 10</u>	<u>More Than 10</u>
US Agencies/Treasuries.....	\$ 552,508	\$ 31,047	\$ 32,753	\$ 52,802	\$ 435,906
Corporate Debt.....	453,989	20,212	205,415	143,260	85,102
Money Market Mutual Fund.....	1,801	1,801	-	-	-
Commercial Paper.....	32,870	32,870	-	-	-
Municipals.....	2,839	-	-	-	2,839
Asset Backed Securities.....	84,143	2	5,976	3,837	74,328
Mortgage Backed Securities.....	226,056	-	4,336	1,407	220,313
Sovereign Debt.....	92,203	13,155	36,643	33,301	9,104
Other.....	2,706	-	2,701	-	5
<b>subtotal.....</b>	<b>1,449,115</b>	<b>\$ 99,087</b>	<b>\$ 287,824</b>	<b>\$ 234,607</b>	<b>\$ 827,597</b>

**Other Investments**

Mutual Funds.....	399,656
Equity Securities.....	1,488,151
Real Estate - Venture Capital.....	239,228
Fixed Income - Derivatives.....	888
Fixed Income - Short Positions.....	(140,902)
Cash Equivalents.....	205,905
<b>Total.....</b>	<b>\$ 3,642,041</b>

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes. The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*):

<b>Investments per maturity schedule total.....</b>	<b>\$ 3,642,041</b>
<b>Reclassified to:</b>	
Cash equivalents.....	(205,905)
Money market mutual fund.....	(1,801)
Foreign currency options.....	(487)
Fixed income.....	(58,359)
<b>Investments per financial statements.....</b>	<b>\$ 3,375,489</b>

The following is a reconciliation of the fixed income instruments to the financial statement presentation (*in Thousands*):

<b>Fixed income investments from investment maturity schedule.....</b>	<b>\$ 1,449,115</b>
Fixed income - derivatives.....	888
Fixed income - cash and short-term investments.....	(58,845)
Fixed income short positions.....	(140,902)
Money market mutual fund.....	(1,801)
<b>Fixed income investments per financial statement.....</b>	<b>\$ 1,248,455</b>

*(b) Concentration of Credit Risk*

Formal guidelines for pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2007, no issuer exceeded 5%.

*(c) Custodial Credit Risk*

Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the managers and the custodian. As of June 30, 2007 all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

*(d) Credit Risk of Debt Investments*

Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with the Pension Trust securities are as follows:

**Pension Trust Funds - Rated Debt Investments***(Expressed in Thousands)*

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>Aaa</u>	<u>Aa</u>	<u>A</u>
US Agencies/Treasuries.....	\$552,508	\$ -	\$ -	\$ -
Corporate Debt.....	453,989	16,793	43,353	63,581
Money Market Mutual Fund.....	1,801	1,801	-	-
Commercial Paper.....	32,870	-	-	-
Municipal Debt.....	2,839	1,432	892	239
Asset Backed Securities.....	84,143	72,356	541	1,076
Collateralized Mortgage Obligations...	226,056	136,328	8,310	681
Sovereign Debt.....	92,203	59,294	3,954	7,467
Other.....	2,706	2,701	-	-

*continued below*

<u>Debt Investments</u>	<u>Quality Ratings</u>				
	<u>Baa</u>	<u>Ba</u>	<u>B and below</u>	<u>Unrated</u>	<u>Short Term A1</u>
US Agencies/Treasuries.....	\$ -	\$ -	\$ -	\$552,508	\$ -
Corporate Debt.....	137,684	51,036	112,112	29,430	-
Money Market Mutual Fund.....	-	-	-	-	-
Commercial Paper.....	-	-	-	-	32,870
Municipal Debt.....	276	-	-	-	-
Asset Backed Securities.....	1,290	1,299	-	7,581	-
Collateralized Mortgage Obligations...	363	-	-	80,374	-
Sovereign Debt.....	883	3,198	-	17,407	-
Other.....	-	-	-	5	-

*(e) Foreign Currency Risk*

Most foreign currency exposure is in the pension trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows:

**Foreign Currency Risk - International Securities at Fair Value**

<b>Currency</b>	<b>Total</b>	<b>Short Term</b>	<b>Debt <sup>(1)</sup></b>	<b>Equity</b>
Australian Dollar.....	\$ 45,241,790	\$ 12,806	\$ 9,892,704	\$ 35,336,280
Brazilian Real.....	3,890,613	74	3,890,539	-
Canadian Dollar.....	10,034,845	54,568	6,047,426	3,932,851
Danish Krone.....	456,558	471	-	456,087
Euro Currency.....	261,739,313	3,692,040	44,546,184	213,501,089
Hong Kong Dollar.....	7,368,538	269,167	-	7,099,371
Indonesian Rupiah.....	2,237,202	-	2,237,202	-
Israeli Shekel.....	2,226,221	19,349	-	2,206,872
Japanese Yen.....	109,872,236	1,881,259	30,462,875	77,528,102
Mexican Peso.....	8,616,835	257,961	6,117,231	2,241,643
New Zealand Dollar.....	4,341,819	74,159	1,564,247	2,703,413
Norwegian Krone.....	854,335	184,943	-	669,392
Polish Zloty.....	5,502,220	241,516	5,260,704	-
Pound Sterling.....	92,621,681	1,590,510	6,659,238	84,371,933
Singapore Dollar.....	8,603,212	611	4,901,663	3,700,938
South African Rand....	6,250,409	-	3,328,596	2,921,813
Swedish Krona.....	10,538,990	5,774	2,712,912	7,820,304
Swiss Franc.....	15,577,466	425,634	-	15,151,832
Thailand Baht.....	1,974,452	43,591	-	1,930,861
<b>Total.....</b>	<b>\$ 597,948,735</b>	<b>\$ 8,754,433</b>	<b>\$ 127,621,521</b>	<b>\$ 461,572,781</b>

<sup>(1)</sup> Corporate and Sovereign

Formal investment policy guidelines adopted by the VPIC state that international equity managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure. In global fixed income accounts, opportunistic currency positioning may be utilized to hedge and cross-hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The managers may vary the total portfolio exposure to currency from fully unhedged to fully hedged. The global fixed income managers are permitted to hedge all, some, or none of the portfolio's currency exposure. They are permitted to cross-hedge currency positions, but may not net short any currency, or net long more than 100% of the portfolio. VPIC has funds allocated to a global allocation asset manager in the form of shares of a commingled trust. The manager for this trust may enter into long and/or short positions in currencies of the countries represented in established indices. The strategy is permitted to cross-hedge currency exposure and will actively manage its currency exposure. This active management may go beyond fully-hedged or unhedged currency exposure, and is provided for by a specific exemption to the VPIC general guidelines.

**Fixed Income Short Positions**

A short-sale of a security occurs when an investment manager places a sale order for an account without actually holding the underlying security for delivery. In some situations, short sales are entered into in anticipation of a decline in the fair value of a security; in other cases short sales are entered into as a hedge against potential losses from securities owned (held long) in an account. Short sales incur the risk of loss when

the price of a security underlying the short sale increases and the fund is subject to a higher cost to purchase the security in order to cover the position. Short positions in the VPIC portfolio at June 30, 2007 are predominately related to hedging against losses in long securities positions and to managing the effective duration of an investment portfolio; as a result, while a short position may in and of itself expose the account to risk of loss, such potential losses are at least partially if not fully offset by securities held long. The use of short-sales in certain cases is provided for by written investment guidelines and incorporated in specific manager contracts.

### **Securities Lending Transactions**

State statutes and boards of trustees' policies permit the Office of the Vermont State Treasurer to use investments of the three defined benefit pension plans to enter into securities lending transactions/loans of securities to broker dealers and other entities for collateral, with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to a Securities Lending Authorization Agreement, State Street Bank and Trust Company (State Street) was authorized to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street loaned, on behalf of Vermont, certain securities held by State Street as custodian, and received United States and foreign currency cash, securities issued or guaranteed by the United States government. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to not less than one hundred and two percent (102%) of the market value of the loaned security.

The State did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. There were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2007, such investment pool had an average duration of 68.25 days and an average weighted final maturity of 532.81 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2007, the Client had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the client as of June 30, 2007, was \$572,251,189 and \$556,858,374 respectively.

#### **Statute Reference Retirement Plan**

3 V.S.A. 471(m) Vermont State Employees' Retirement Fund

16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund

24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

### **Derivative Financial Instruments**

The investment managers for VPIC invest in derivative financial investments as authorized by the VPIC policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed-upon benchmark. At June 30, 2007, VPIC investments had four types of derivative financial instruments: futures, currency forwards, options, and swaps. All of the derivatives reported at June 30, 2007 are at fair market value. The futures and options are traded on the exchanges and are marked-to-market daily using the closing settlement price on that day. Interest rate swaps, credit default swaps, and currency options are traded over the counter and are based on mid prices that brokers provide daily. Swaptions are traded over the counter and are priced by the investment manager both internally and by using Bloomberg as a pricing source. Currency forwards are traded over the counter and the investment manager uses Reuters and Bloomberg as pricing sources.

#### *(a) Futures*

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's

credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net increases (decreases) in the fair value of investments in the Fiduciary Funds' Statement of Changes in Net Assets. At June 30, 2007, the VPIC's investments had the following futures balances:

	Value Covered by <u>Contract</u>
Long – equity futures	\$(414,720)
Long – debt securities futures	(233,293)
Short – debt securities futures	(183,463)

*(b) Currency forwards*

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions. At June 30, 2007, the VPIC's investments included the following currency forwards balances:

Currency forwards (pending foreign exchange purchases)	\$(206,720)
Currency forwards (pending foreign exchange sales)	(359,229)

*(c) Options*

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a pre-set price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counter-party bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At June 30, 2007, the VPIC investments had the following option balances:

Purchased call options	\$3,517,289
Purchased put options	1,738,380
Written call options	(3,510,256)
Written put options	(1,481,043)

*(d) Swaps*

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At the end of the year the VPIC had two different types of swap arrangements – interest rate swaps and credit default swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counter-party who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps primarily allowed the VPIC to effectively convert most of their long-term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Net Assets. At June 30, 2007, the VPIC's investments had the following swap market value balances:

Interest Rate Swaps (82 agreements)	\$667,523
Credit Default Swaps (78 agreements)	(43,711)

The above interest rate and credit rate swaps involved the following counterparties in one or more swap agreements:

Banc/America Securities	Goldman, Sachs International
Bank of America	JP Morgan Chase/RBS
BNP Paribas	JP Morgan Securities
Barclay's Bank	Lehman Brothers
Citibank N.A.	Merrill Lynch Pierce Fenner & Smith
Credit Suisse First Boston Equities	Morgan Stanley Co.
Deutsche Bank Securities	Royal Bank of Scotland
Goldman, Sachs & Co.	UBS Securities

### **Asset-Backed Securities**

The defined benefit pension trust funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-throughs, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer through a "pass-through" arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of prepayment varies with the underlying assets. Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk.

### **C. Component Units**

Each component unit follows deposit and investment policies as determined by their board of directors. In some component units, underlying bond resolutions, letters of credit and bond insurance providers may require specific criteria to be followed. These policies may include collateralization requirements, allowable investment types, allowable national rating agency quality ratings, and concentrations limits by investment type or issuer. The major objective of these policies is to minimize risk along with maximizing gain. In the case of some component units, underlying bond resolutions, letters of credit and bond insurance providers may require specific criteria be followed. A short description of each component unit, as well as contact addresses, can be found in Note 1 section A to these financial statements. Copies of their financial reports or any other information may be obtained by contacting them directly at the addresses contained in Note 1, section A to this report.

### **Custodial Credit Risk – Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, all or a portion of an entity's deposits may not be recovered. The total of bank balances for the State's component units at June 30, 2007

was \$38.8 million. Of this total, \$32.4 million was either insured or collateralized, while \$6.4 million was uninsured and uncollateralized.

### Investments

Generally, the State's component units follow investing policies as determined by their board of directors. In some cases, underlying bond resolutions, letter of credit, and bond insurance providers have provided criteria to be followed. The University of Vermont and State Agricultural College (UVM) follows its "Cash Policy" which provides parameters for the investing of its operating funds. UVM endowment funds are invested in accordance with its Board of Trustees' formal investment policy. The State's component units' investments at June 30, 2007 are presented in the following schedule.

#### Component Units Investments

(expressed in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>More than 20</u>	<u>Maturity Not Provided</u>
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>11 to 20</u>		
<u>Debt Investments</u>							
U.S Treasuries	\$ 57,632	\$ 7,920	\$ 8,435	\$ 15,893	\$ 15,281	\$ -	\$ 10,103
Agencies	21,000	503	25	5	-	-	20,467
Other Gov't Bonds & Notes	214	-	-	-	-	-	214
Industry Bonds	17,779	728	582	1,096	-	-	15,373
Asset/Mortgage Backed Securities	5,775	-	-	5,173	-	602	-
Mutual Funds	220,634	-	10,541	9,363	-	-	200,730
	323,034	\$ 9,151	\$ 19,583	\$ 31,530	\$ 15,281	\$ 602	\$ 246,887
<u>Other Investments</u>							
Certificate of Deposit	30,219						
Money Market	297,284						
Common Stock	78,648						
Partnerships	10,472						
Real Estate	231						
Leases	481						
Hedge Funds	90,491						
Deposits with Trustees	42,906						
Other	6,978						
Total	\$ 880,744						

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Each of the State's component units manages its interest rate risk in accordance with its individual policy.

*Credit Risk of Debt Investments*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State's component units' debt investments at June 30, 2007 were rated by Standard and Poor's or a comparable national rating organization. A summary of the component units' ratings is presented in the following schedule.

**Component Unit Rated Debt Investments***(Expressed in Thousands)*

<b>Debt Investments</b>	<b>Fair Value</b>	<b>Quality Ratings</b>			
		<b>AAA</b>	<b>AA/AA+</b>	<b>AA-</b>	<b>A+</b>
U.S Treasuries	\$ 57,632	\$ -	\$ -	\$ -	\$ -
Agencies	21,000	20,007	-	-	-
Other Gov't Bonds & Notes	214	-	-	-	-
Corporate Bonds	17,779	838	456	521	521
Asset/Mortgage Backed					
Securities	5,775	4,300	241	-	-
Mutual Funds	220,634	7,787	1,136	-	-

<b>Debt Investments</b>	<b>Quality Ratings</b>			
	<b>A</b>	<b>A-</b>	<b>below A-</b>	<b>Unrated</b>
U.S Treasuries	\$ -	\$ -	\$ -	\$ 57,632
Agencies	-	-	-	993
Other Gov't Bonds & Notes	-	-	-	214
Corporate Bonds	667	255	1,455	13,066
Asset/Mortgage Backed				
Securities	58	-	214	962
Mutual Funds	1,522	-	655	209,534

*Custodial Credit Risk*

Custodial credit risk for investments is defined as the risk that, in the event of a failure of the counterparty, the entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. This type of risk is managed by each entity.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer.

**Note 3: INTERFUND BALANCES****A. Due From/To Other Funds**

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2007, are as follows.

Due From Other Funds	Due To Other Funds				
	Governmental Funds				
	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund
General Fund	\$ -	\$ 16,302	\$ -	\$ 30,412	\$ 28,301
Transportation Fund	2,806,987	-	962,265	6	119
Education Fund	-	-	-	-	-
Special Fund	67,184	183,774	-	-	282,049
Federal Revenue Fund	16,068	-	-	1,182	-
Non-major Governmental Funds	-	63,625	-	6,947	586,052
Non-major Enterprise Funds	-	-	-	-	-
Fiduciary Funds	331,176	-	-	-	39,152
<b>Total</b>	<b>\$ 3,221,415</b>	<b>\$ 263,701</b>	<b>\$ 962,265</b>	<b>\$ 38,547</b>	<b>\$ 935,673</b>

*continues below*

Due From Other Funds	Governmental Funds		Enterprise Funds		
	Global Commitment Fund	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
General Fund	\$ 34,256	\$ 140,400	\$ -	\$ 275,040	\$ -
Transportation Fund	-	120	-	-	-
Education Fund	-	-	-	-	115,543
Special Fund	1,436	59,632	-	-	-
Federal Revenue Fund	35,792	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Non-major Enterprise Funds	-	-	31,432	-	-
Fiduciary Funds	-	-	-	-	-
<b>Total</b>	<b>\$ 71,484</b>	<b>\$ 200,152</b>	<b>\$ 31,432</b>	<b>\$ 275,040</b>	<b>\$ 115,543</b>

*continues below*

Due From Other Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	\$ 145,733	\$ -	\$ 670,444
Transportation Fund	-	-	3,769,497
Education Fund	-	-	115,543
Special Fund	842	724,027	1,318,944
Federal Revenue Fund	-	-	53,042
Non-major Governmental Funds	-	-	656,624
Non-major Enterprise Funds	-	-	31,432
Fiduciary Funds	-	-	370,328
<b>Total</b>	<b>\$ 146,575</b>	<b>\$ 724,027</b>	<b>\$ 6,985,854</b>

**B. Advances To/From Other Funds**

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursement needs. The General Fund advances to other funds at June 30, 2007, are summarized below.

<b>Proprietary Funds</b>	
Vermont Lottery Fund	\$ 300,000
Liquor Control Fund	6,300
Non-major Proprietary Funds	2,900
Internal Service Funds	15,100
<b>Total</b>	<b>\$ 324,300</b>

**C. Interfund Receivables/Payables**

Interfund receivables/payables represent amounts owed to the General Fund by the following funds at June 30, 2007, to eliminate negative cash balances in the State Treasurer's pooled cash.

<b>Proprietary Funds</b>	
Non-major Enterprise Funds	\$ 1,203,394
Internal Service Funds	34,912,671
<b>Governmental Funds</b>	
Permanent Funds	7,556
<b>Fiduciary Funds</b>	
Agency Funds	120,606
<b>Total</b>	<b>\$ 36,244,227</b>

**D. Inter - Primary Government/Component Unit Balances**

Due from component units consist of the amounts owed to the primary government for programs administered by component units in accordance with memoranda of understanding with State departments and for the elimination of negative balances in the State Treasurer's pooled cash.

At June 30, 2007, these account balances are as follows:

	<b>Due to Primary Government</b>		
	<b>Vermont Housing &amp; Conservation Trust Fund</b>	<b>Vermont Economic Development Authority</b>	<b>Total</b>
<b>Due from Component Units</b>			
General Fund	\$ 3,768,230	\$ -	\$ 3,768,230
Special Fund	-	27,226	27,226
<b>Total</b>	<b>\$ 3,768,230</b>	<b>\$ 27,226</b>	<b>\$ 3,795,456</b>

Due to component units consists of \$300,000 due from the Special Fund to the Vermont Economic Development Authority associated with reserves for an insured loan program.

**E. Interfund Transfers**

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts. Interfund transfers for the fiscal year ending June 30, 2007, are as follows.

Transfers In	Transfers Out				
	Governmental Funds				
	General Fund	Transportation Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund
General Fund	\$ -	\$ -	\$ 20,877,648	\$ 8,825,426	\$ -
Transportation Fund	8,000,000	-	-	-	-
Education Fund	282,384,000	-	5,630,268	-	-
Special Fund	8,602,831	1,805,288	-	19,704,804	21,318,230
Federal Revenue Fund	-	-	4,806,399	-	-
Global Commitment Fund	94,770,910	-	159,229,862	420,847,761	-
Non-major Governmental Funds	501,347	388,026	74,139	-	-
Unemployment Comp Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	-
Internal Service Funds	5,057,438	850,000	-	-	-
<b>Total</b>	<b>\$ 399,316,526</b>	<b>\$ 3,043,314</b>	<b>\$ 190,618,316</b>	<b>\$ 449,377,991</b>	<b>\$ 21,318,230</b>

*continues below*

Transfers In	Transfers Out				
	Governmental Funds	Proprietary Funds			
	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission	Non-major Enterprise Funds
General Fund	\$ -	\$ -	\$ 663,305	\$ -	\$ -
Transportation Fund	-	-	-	-	-
Education Fund	-	-	-	23,422,425	-
Special Fund	50,000	-	-	150,000	-
Federal Revenue Fund	4,178,626	-	-	-	-
Global Commitment Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Unemployment Comp Trust Fund	-	-	-	-	312,899
Non-major Enterprise Funds	-	301,726	-	-	-
Internal Service Funds	-	-	-	-	-
<b>Total</b>	<b>\$ 4,228,626</b>	<b>\$ 301,726</b>	<b>\$ 663,305</b>	<b>\$ 23,572,425</b>	<b>\$ 312,899</b>

*continues below*

Transfers In	Transfers Out		
	Internal Service Funds	Fiduciary Funds	Total
General Fund	\$ 250,000	\$ 3,016,696	\$ 33,633,075
Transportation Fund	-	-	8,000,000
Education Fund	-	-	311,436,693
Special Fund	2,494,835	-	54,125,988
Federal Revenue Fund	-	-	8,985,025
Global Commitment Fund	-	-	674,848,533
Non-major Governmental Funds	-	600,000	1,563,512
Unemployment Comp Trust Fund	-	-	312,899
Non-major Enterprise Funds	-	-	301,726
Internal Service Funds	-	-	5,907,438
<b>Total</b>	<b>\$ 2,744,835</b>	<b>\$ 3,616,696</b>	<b>\$ 1,099,114,889</b>

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education and transfers from the Special Fund for local school reimbursement of medicaid eligible costs.

The Special Fund received transfers from the General Fund for the Next Generation Initiative, and one-time payments to dairy farmers, from the Federal Revenue Fund for the low income home energy assistance program, and from the Global Commitment Fund for education medicaid reimbursements.

The Global Commitment Fund received transfers from the General, Special and Federal Revenue Funds for medicaid related services provided under the Vermont Global Commitment to Health medicaid waiver.

#### Note 4: CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2007 were as follows:

##### Primary Government

	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land and land improvements.....	\$ 71,141,882	\$ 95,612	\$ (1,734)	\$ -	\$ 71,235,760
Construction in process.....	317,331,633	151,137,910	(168,705,684)	(5,627,777)	294,136,082
Works of Art.....	111,521	5,945	-	18,537	136,003
Total capital assets, not being depreciated.....	<u>388,585,036</u>	<u>151,239,467</u>	<u>(168,707,418)</u>	<u>(5,609,240)</u>	<u>365,507,845</u>
Capital assets, being depreciated:					
Buildings and improvements.....	335,933,657	18,625,505	(3,499,173)	(1,402,074)	349,657,915
Machinery and equipment.....	130,372,164	17,511,745	(12,580,386)	26,077	135,329,600
Infrastructure.....	1,312,999,583	147,732,749	(199,344,563)	2,037,887	1,263,425,656
Total capital assets, being depreciated.....	<u>1,779,305,404</u>	<u>183,869,999</u>	<u>(215,424,122)</u>	<u>661,890</u>	<u>1,748,413,171</u>
Less accumulated depreciation for:					
Buildings and improvements.....	(134,789,589)	(9,254,545)	603,137	(260,340)	(143,701,337)
Machinery and equipment.....	(83,057,773)	(14,410,289)	11,087,337	14,704	(86,366,021)
Infrastructure.....	(707,221,232)	(48,763,308)	199,290,805	470,357	(556,223,378)
Total accumulated depreciation.....	<u>(925,068,594)</u>	<u>(72,428,142)</u>	<u>210,981,279</u>	<u>224,721</u>	<u>(786,290,736)</u>
Total capital assets, being depreciated, net....	<u>854,236,810</u>	<u>111,441,857</u>	<u>(4,442,843)</u>	<u>886,611</u>	<u>962,122,435</u>
Governmental activities capital assets, net.....	<u>\$ 1,242,821,846</u>	<u>\$ 262,681,324</u>	<u>\$ (173,150,261)</u>	<u>\$ (4,722,629)</u>	<u>\$ 1,327,630,280</u>
<b>Business-type Activities</b>					
Capital assets, being depreciated:					
Buildings and improvements.....	\$ 86,135	\$ -	\$ -	\$ -	\$ 86,135
Machinery and equipment.....	1,091,683	212,897	(179,155)	-	1,125,425
Total capital assets, being depreciated.....	<u>1,177,818</u>	<u>212,897</u>	<u>(179,155)</u>	<u>0</u>	<u>1,211,560</u>
Less accumulated depreciation for:					
Buildings and improvements.....	(40,734)	(8,685)	-	-	(49,419)
Machinery and equipment.....	(765,143)	(153,103)	168,286	-	(749,960)
Total accumulated depreciation.....	<u>(805,877)</u>	<u>(161,788)</u>	<u>168,286</u>	<u>0</u>	<u>(799,379)</u>
Total capital assets, being depreciated, net....	<u>371,941</u>	<u>51,109</u>	<u>(10,869)</u>	<u>0</u>	<u>412,181</u>
Business-type activities capital assets, net.....	<u>\$ 371,941</u>	<u>\$ 51,109</u>	<u>\$ (10,869)</u>	<u>\$ -</u>	<u>\$ 412,181</u>
<b>Fiduciary Funds</b>					
Capital assets, not being depreciated:					
Construction in process.....	\$ 214,302	\$ 1,315,451	\$ -	\$ -	\$ 1,529,753
Total capital assets, not being depreciated.....	<u>214,302</u>	<u>1,315,451</u>	<u>0</u>	<u>0</u>	<u>1,529,753</u>
Fiduciary assets, net.....	<u>\$ 214,302</u>	<u>\$ 1,315,451</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,529,753</u>

Current period depreciation expense was charged to functions of the Primary Government as follows:

**Governmental Activities:**

General Government.....	\$ 10,326,391
Protection to Persons and Property.....	3,480,954
Human Services.....	767,756
Employment & Training.....	57,908
General Education.....	16,738
Natural Resources.....	1,333,480
Commerce & Community Development.....	71,838
Transportation.....	49,272,834
Depreciation on Capital Assets held by Internal Service Funds .....	7,100,243
Total.....	<u>\$ 72,428,142</u>

**Business-type Activities:**

Liquor Control.....	\$ 121,432
Lottery Commission.....	38,159
Federal Surplus Property.....	417
Vermont Life.....	1,780
Total.....	<u>\$ 161,788</u>

**Discretely Presented Component Units**

	Beginning Balance, Restated	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements.....	\$ 26,733,028	\$ 1,963,233	\$ -	\$ -	\$ 28,696,261
Construction in process.....	78,815,579	44,722,159	(43,485,000)	(10,959,229)	69,093,509
Total capital assets, not being depreciated.....	<u>105,548,607</u>	<u>46,685,392</u>	<u>(43,485,000)</u>	<u>(10,959,229)</u>	<u>97,789,770</u>
Capital assets, being depreciated:					
Buildings and improvements.....	576,947,172	84,898,414	(2,255,000)	978,068	660,568,654
Machinery and equipment.....	134,948,809	15,847,530	(787,082)	34,673	150,043,930
Infrastructure.....	19,516,891	308,028	-	61,259	19,886,178
Total capital assets, being depreciated.....	<u>731,412,872</u>	<u>101,053,972</u>	<u>(3,042,082)</u>	<u>1,074,000</u>	<u>830,498,762</u>
Less accumulated depreciation.....	<u>(309,346,194)</u>	<u>(27,898,042)</u>	<u>1,842,772</u>	<u>-</u>	<u>(335,401,464)</u>
Total capital assets, being depreciated, net....	<u>422,066,678</u>	<u>73,155,930</u>	<u>(1,199,310)</u>	<u>1,074,000</u>	<u>495,097,298</u>
Component unit capital assets, net.....	<u>\$ 527,615,285</u>	<u>\$ 119,841,322</u>	<u>\$ (44,684,310)</u>	<u>\$ (9,885,229)</u>	<u>\$ 592,887,068</u>

The governmental activities capital assets include the Bennington State Office Building, reported in these statements with a carrying value of \$5,643,664, and is an impaired asset as of June 30, 2007. Employees were vacated from the building in April 2007. The Health Department has completed their investigation of the building. The State has not yet determined the proper course of action to take on the building. Remediation costs are yet to be determined.

**Note 5: PENSION AND OTHER POSTEMPLOYMENT BENEFITS**

In accordance with State statutes, the State Treasurer and the individual retirement systems' Boards of Trustees administer the State's three defined benefit pension plans, three defined contribution plans, and one postemployment benefit trust. These plans are considered part of the State's reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

**A. Defined Benefit Retirement Plans****Retirement Plan Descriptions**

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police,

except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- general employees who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.1% of payroll (contributions cease upon attainment of 25 years of creditable service);
- State police, law enforcement positions, and airport firefighters hired after July 1, 2000, (Group C), with a contribution rate of 6.98% of payroll;
- judges (Group D), with a contribution rate of 5.1% of payroll;
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F), with a contribution rate of 3.35% of payroll.

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing public employee defined benefit retirement system with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. The membership is made up of:

- general teachers who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.5% of payroll (contributions cease upon attainment of 25 years of creditable service);
- terminated vested members of the non-contributory system (Group B); and
- all other general teachers (Group C), with a contribution rate of 3.54% of covered payroll.

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could elect to transfer their current memberships from a contributory to a non-contributory membership class (see Single Deposit Investment Account). However, in 1990, the Legislature again made both systems contributory effective July 1, 1990, for the STRS and January 1, 1991, for the VSRS. The State's contribution to each system is based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are calculated based upon the liabilities of each system as determined by actuarial valuations.

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A. Chapter 125) is a cost-sharing, multiple-employer public employees' retirement system. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system.

Prior to July 1, 1987, the State was statutorily responsible for contributions to the MERS' pension accumulation fund. Beginning July 1, 1987, all payments to the system's fund are supported entirely by employer (municipal) and employee contributions. Employers make quarterly payments into the fund. These payments are percentages of annual earnable compensation for each membership group and consist of a "normal" and an "accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

**Plan Membership**

At June 30, 2007, VSRS, STRS, and MERS membership consisted of:

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Active employees:			
Vested.....	5,709	7,977	3,249
Non-vested.....	<u>2,702</u>	<u>2,698</u>	<u>2,917</u>
Total active employees.....	8,411	10,675	6,166
Retirees and beneficiaries of deceased retirees			
currently receiving benefits.....	4,399	5,192	1,309
Terminated employees entitled to benefits			
but not yet receiving them (vested).....	790	741	432
Inactive members.....	<u>935</u>	<u>2,901</u>	<u>2,064</u>
Total participants.....	<u>14,535</u>	<u>19,509</u>	<u>9,971</u>

**Actuarial Valuation - Methods and Assumptions**

The actuarial method for both the STRS and the VSRS plans is set by State statute. Through fiscal year 2005, the method used was entry age normal (EAN) with frozen initial liability (FIL). The Legislature enacted a statute change revising the method to entry age normal without FIL for the actuarial valuation for the year ending June 30, 2006, which effectively restated the starting balance.

Under the previous method, set by State statute, the unfunded liability was frozen at 1988 levels. Any impact of underfunding subsequent to the “freezing” of the liability in 1988 falls to normal cost instead of being added to the unfunded liability as in more conventional funding methods. If funding levels approximate the actuarially required contribution (ARC), as in the case of the funding of VSRS, the effect of changing from EAN-FIL to EAN is attributable to variances between the actuarial assumptions and experience.

In the case of STRS, where there had been substantial underfunding of the ARC, the EAN-FIL method has had the effect of creating an improving funding ratio although the total required contribution (sum of the amortized unfunded actuarial accrued liability and normal) rapidly escalates. The unfunded actuarial accrued liability is amortized in a deterministic manner under the FIL method, making it easy for the ratio to rise from one year to the next even in the presence of substantial underfunding. The shift to the EAN method therefore has had the effect of increasing the actuarially unfunded liability and reducing the normal contribution. As a result of a legislative study into the funding of the STRS system, two other changes impacted STRS in 2006 and continue to be reflected in the June 30, 2007 data. The actuarial rate of return assumption was raised by 0.25 basis points to 8.25% and the 30-year period for amortization of the unfunded actuarial accrued liability has been restarted effective July 1, 2006.

State statute provides that at least once in each five-year period, the State’s actuary is to make an investigation into the mortality, service, and comprehensive experience of the members and beneficiaries of the system and make recommendations for certain modifications of the actuarial assumptions, as needed. These experience studies are conducted on a staggered basis for the three systems. Such a study was completed for the VSRS system for the period covering July 1, 2001 through June 30, 2006. As a result of this experience study performed by Buck Consultants and recent changes adopted by the System’s Board of Trustees, changes in the actuarial assumptions were made in the valuation report for the period ending June 30, 2007. The actuarial rate of return was raised from 8.00% per year to 8.25% per year, the liability for inactive members was raised from 150% to 250% of employee contributions with interest, and various decrement tables were updated to more closely match the anticipated future experience of the system. In the June 30, 2007 valuation, these changes resulted in a decrease in the actuarial accrued liability from \$1,323,387,270 to \$1,307,642,985 and an increase in the total normal cost from \$37,518,748 to \$39,091,226.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2006, and June 30, 2007, as follows:

	<u>VSRS</u>	<u>STRS</u>
Unfunded actuarial accrued liability, 6/30/2006...	\$ 9,044,004	\$ 259,108,435
Normal cost.....	36,113,361	41,245,249
Contribution paid.....	(54,959,014)	(61,968,307)
Expense reimbursements.....	19,160,827	-
Interest on unfunded liability, normal cost and contribution.....	2,208,209	22,273,639
Actuarial gains and losses/experience.....	(6,867,058)	14,131,317
Assumption changes.....	(15,744,285)	-
Unfunded actuarial accrued liability, 6/30/2007...	<u>\$ (11,043,956)</u>	<u>\$ 274,790,333</u>

The various actuarial methods and assumptions used to determine the annual required contributions were as follows.

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Valuation date	06/30/07	06/30/07	07/01/07
Actuarial cost method	Entry Age Normal	Entry Age Normal	Projected benefit cost method
Amortization method (1)	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Remaining amortization period (2)	11 years	29 years	11 years
Asset valuation method	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Actuarial value of assets using a five year smoothing technique
<u>Actuarial assumptions</u>			
Investment rate of return (3)	8.25%	8.25%	8.00%
Projected salary increases	4.67%-7.79%	4.41%-10.68%	5.6%
Cost-of-living adjustments	1.5%-3.0%	1.5%-3.0%	1.5%-1.8%
<u>Post Retirement Adjustments</u>			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year adjusted for cost of living based on one-half of CPI but not in excess of percentage indicated	Group F - 5%	Group C - 5%	Group A - 2% Groups B, C & D - 3%

(1) Beginning with 6/30/06, the actuarial cost method was changed to the Entry Age Normal method for VSRS and STRS.

(2) The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective 7/1/06 for STRS.

**Schedule Of Employer Contributions**

Year Ended 6/30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation Balance
-----------------------	---------------------------	---------------------------	--------------------------------------

**VSRS**

2005	\$ 35,576,624	102.58%	\$39,639,437
2006	37,782,274	97.58%	40,555,260
2007	39,254,553	100.11%	40,512,811

**STRS**

2005	46,762,879	52.28%	133,282,049
2006	55,484,063	44.06%	164,319,830
2007	43,365,458	86.11%	170,343,679

**MERS**

2005	7,359,628	100.00%	-
2006	7,839,769	100.00%	-
2007	8,546,496	100.00%	-

**Annual Pension Cost and Net Pension Obligation**

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2007, were as follows:

	<b><u>VSRS</u></b>	<b><u>STRS</u></b>
Annual Required Contribution (ARC).....	\$40,189,812	\$38,929,729
Interest on NPO.....	3,244,421	13,511,900
Adjustment to ARC.....	<u>(4,179,680)</u>	<u>(9,076,171)</u>
Annual Pension Cost (APC).....	39,254,553	43,365,458
Employer Contribution Made.....	<u>(39,297,002)</u>	<u>(38,496,410)</u>
Increase (Decrease) in NPO.....	(42,449)	4,869,048
NPO - Beginning of Year.....	40,555,260	164,319,830
NPO - End of Year.....	<u>\$40,512,811</u>	<u>\$169,188,878</u>
Percentage of APC contributed.....	100.11%	88.77%

A six year Schedule of Funding Progress and an accompanying Schedule of Employer Contributions for these defined benefit pension trust funds is presented as required supplementary information, immediately following these notes to the financial statements.

**B. Defined Contribution Retirement Plans**

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional defined contribution plan for exempt state employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds.

At inception of the plan, the actuarial calculations were performed on a cost-neutral basis so that the accrued balances and liabilities were equivalent. Approximately 375 exempt employees representing 45% of the eligible employees elected to transfer to the defined contribution plan. Assets totaling \$21 million were transferred from the defined benefit plan to the defined contribution plan on January 4, 1999, as a result of the election. As the attendant decrease in liabilities in the defined benefit plan was equal to \$21 million, there was no material effect on the financial health of the defined benefit system resulting from the transfer. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan.

Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. For the fiscal year ended June 30, 2007, plan member contributions were \$683,782 and State employer contributions were \$1,941,685, while members transferred \$162,414 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2007, the Vermont State Defined Contribution Plan's net assets totaled \$41,402,234, and there were 589 participants.

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070) was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, will have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees and their employers are required to contribute at the rate of 5%. Employees become vested in the plan after 12 months of service. For fiscal year ending June 30, 2007, plan participants and the municipalities each contributed \$571,335 and \$571,438 respectively, while members transferred \$49,163 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2007, the Vermont Municipal Employees' Defined Contribution Plan's net assets totaled \$13,163,965, and there were 560 participants.

The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS). The SDIA is reported as a pension trust fund.

The STRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

1. have both their accumulated employee contributions and accumulated interest returned to them; or
2. have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
3. have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

1. have both their accumulated employee contributions and accumulated interest returned to them; or
2. have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
3. have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2007, there were 1,332 STRS members and, 1,010 VSRS members, with net assets of \$89,276,530 in the Single Deposit Investment Account.

### **C. Other Postemployment Benefits**

The State offers postemployment medical insurance, dental insurance, and life insurance benefits in addition to providing pension benefits.

#### **Medical Insurance**

##### Vermont State Retirement System

For the VSRS, (3 V.S.A. Chapter 16) employees retiring directly from active State service for any reason (disability, early, or normal retirement), including the State Police, may carry whatever medical insurance coverage is in effect at that time into retirement for themselves and their dependents. Any employee who does not retire directly from State service is not eligible to participate in the State's medical insurance plan (Medical Insurance internal service fund). Likewise, if the insurance is terminated at any time after retirement, coverage will not be able to be obtained again at a later date.

During the lifetime of the retiree, 20% of the cost of the premium will be paid by the retiree, except in the case of retirees selecting joint or survivorship options. If the retiree chooses the joint and survivor pension option, and predeceases his or her spouse, the medical benefits also continue for the spouse, along with the pension. However, generally the surviving spouse must pay 100% of the cost of the premium. In addition, once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming secondary. The retiree's State insurance premium costs will then decrease in recognition of this change.

As of June 30, 2007, 3,329 retirees were enrolled in the medical plan in the single, spouse, and family plan options. The retirees contributed \$3.8 million in premiums to the State's Medical Insurance Fund and the Medical Insurance Fund incurred \$23.4 million in claims expense for the retirees for the fiscal year ending June 30, 2007. The State's fiscal year 2007 contributions to the VSRS included, on a pay-as-you-go basis, \$13.5 million for the State's share of the cost of the premiums. The VSRS paid this \$13.5 million to the Medical Insurance Fund for this benefit in fiscal year 2007.

The State Employees' Postemployment Benefit Pension Trust Fund (3 V.S.A. 479a) has been established as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits for members of the VSRS. By definition this is a fund required to follow the reporting requirements of Governmental Accounting Standards Board Statement No. 43 (Financial Reporting for Postemployment Benefit Plans Other Than Pensions). During fiscal year 2007, the State contributed \$2,209,843 to this fund. This contribution and the interest earnings thereon resulted in total assets of \$2,210,874 at June 30, 2007. These assets are held in trust for postemployment benefits other than pension.

The funded status as of the most recent actuarial valuation is as follows (dollar amounts in thousands).

<b>Actuarial Valuation Date 6/30</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2007	\$ 2,211	\$ 606,499	\$ 604,288	0.4%	\$386,917	156.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following these notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 43.

The actuarial assumptions and methods used were: assumed investment rate of 3.5%; actuarial cost method of projected unit cost; amortization period of 30 years, closed basis, and amortization starting in 2008 with payments increasing by 5% annually; medical care and State share inflation rate of 7.0% for 2008, 6.0% for 2009 and 5.0% for 2010 and thereafter.

#### State Teachers Retirement System

The STRS's board of trustees is authorized by State statute (16 V.S.A. 1942(p)) to enter into arrangements providing health and medical benefits to the retired members and their dependents. In accordance with this authorization, the STRS administers its retirees' participation in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI). VEHI is managed jointly by the Vermont School Boards Insurance Trust and the Vermont-National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. Audited financial statements and additional information may be obtained by contacting them at 2 Prospect Street, Suite 5, Montpelier, VT 05602.

The three medical benefit plans offered by VEHI to the retired teachers are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. Once a STRS retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B. Medicare becomes the primary insurer and the STRS's medical plans become the secondary carrier. Two of the plans offered become "carve-out" plans to coordinate with Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes primary.

If the member has a minimum of 10 years of creditable service at the time of retirement, the STRS pays 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by State statute (16 V.S.A. 1944 (c)(12)). The retiree must pay the full cost of the premium for all covered dependents. As of June 30, 2007, 3,537 retirees are enrolled in the single, spouse, and family medical plan options. The retirees contributed \$9.11 million in premiums and the STRS contributed, on a pay-as-you-go basis, \$13.05 million in premiums in fiscal year 2007.

**Dental Insurance**

Two dental plans are available to the VSRS's retirees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. A similar program is expected to be offered to STRS's retirees in the next fiscal year.

**Life Insurance**

In the case of life insurance, if a State employee retires with 20 or more years of service, life insurance will continue into retirement, but will be reduced to \$5,000. If a State employee retires due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to the \$5,000 level with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

**Medicare Part D - Prescription Drug Subsidy**

Under the Medicare, Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), employer sponsors of retiree prescription drug plans can apply for a 28% subsidy for the qualified prescription drug costs of their retirees. To be eligible for the subsidy, the employer coverage must be actuarially equivalent to the new Medicare Part D coverage and the employer must provide notices of creditable prescription drug coverage to individuals entitled to Medicare Part D.

The STRS's Board of Trustees agreed that they would continue to offer the same prescription drug coverage program during 2007 that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from its actuaries that the prescription drug program offered to retired teachers is equivalent, and in fact, better than the drug program offered through Medicare Part D.

The State offered the same prescription drug coverage program during 2007 that has been available to active and retired state employees for the past several years. The department of Human Resources has received an attestation from its actuaries that the prescription drug program offered to retired members is equivalent, and in fact, better than the drug program offered through Medicare Part D.

The STRS and VSRS will continue to evaluate the results of the Medicare Part D Program and its impact on the post-age 65 health care benefits marketplace and prescription drug pricing. The STRS's Board of Trustees and the State will need to determine in future years whether it is in their best interest to continue to offer the same prescription drug program, or whether it should be modified or discontinued. If the determination is to continue to offer the same coverage, the estimated annual subsidy will fluctuate depending on the number of retirees and covered dependents that actually sign up for the Medicare Part D Program. If it is determined that the prescription coverage should either be modified or discontinued, then the savings will be realized by a decrease in medical premiums.

The Medicare Part D subsidy for fiscal year 2007 applicable to the STRS was \$1,154,801 and was deposited into the STRS Pension Trust Fund. The Medicare Part D subsidy applicable to the VSRS was \$2,209,843, was deposited into the State Employees' Postemployment Benefit Pension Trust Fund.

**D. Postemployment Obligations Other Than Pensions – GASB 45**

The new accounting standard, Governmental Accounting Standards Board Statement No. 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions), will require the State to begin recording its liability for other postemployment benefits (commonly referred to as "OPEB") in the fiscal year 2008 financial reports. These non-pension benefits are described in section C above. The standards do not require pre-funding such benefits, but the standards do require that the costs of these future benefit payments

be recognized over the term of service of the employees earning those benefits, rather than waiting until the benefits are paid in cash at a future date. The State has traditionally funded these benefits on a pay-as-you-go basis. If the State chooses to continue payments on a pay-as-you-go basis, the difference between the pay-as-you-go basis and the actuarially determined contribution would be recorded as a liability in the Government-wide financial statements. This liability will grow with interest and new net differences between the actuarially determined contribution and actual contributions paid in successive years.

The VSRS's and STRS's independent actuary has prepared valuations of the State's OPEB liabilities as of June 30, 2007. This is the third annual OPEB valuation for each system. The MERS, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated state health care benefit or liability. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

Both the VSRS and STRS reports present two separate calculations of the State's OPEB liability, depending on whether the liability would be prefunded in a manner meeting the requirements of the Governmental Accounting Standards Board's Statement No. 45, or remain on a pay-as-you-go basis.

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the State and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Information as of the latest actuarial valuation follows.

For VSRS, assuming no prefunding, the actuarial accrued liability for OPEB obligations earned through June 30, 2007 is \$606.5 million with an unfunded actuarial liability of \$604.3 million. To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an Annual Required Contribution (ARC) commencing at \$47.3 million for fiscal year 2008 and projected to increase to \$197.7 million in fiscal year 2037. If prefunding is assumed, the actuarial accrued liability is reduced to \$316.8 million with an unfunded actuarial liability of \$314.6 million and the ARC is calculated to commence at \$27.1 million for fiscal year 2008, projected to increase to \$112.7 million for fiscal year 2037. Upon retirement of the unfunded accrued liability, the projected normal cost in fiscal year 2038 on a prefunding basis is \$50.2 million. The fiscal year 2008 State budget funds the current year expected benefit payments, on a pay-as-you-go basis, of approximately \$16.4 million, which is less than the ARC applicable under either funding basis.

For STRS, assuming no prefunding, the actuarial accrued liability and the unfunded actuarial liability for OPEB obligations earned through June 30, 2007 is \$820.2 million. This is a reduction compared to the previous year due to a change in assumption for the percentage of current active employees electing retiree medical coverage. To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an ARC commencing at \$60.2 million for fiscal year 2008 and projected to increase to \$270.1 million in fiscal year 2037. If prefunding is assumed, the actuarial accrued liability and the unfunded actuarial liability is reduced to \$373.6 million and the ARC is calculated to commence at \$29.8 million for fiscal year 2008, projected to increase to \$129.2 million for fiscal year 2037. Upon retirement of the unfunded accrued liability, the projected normal cost in fiscal year 2038 on a prefunding basis is \$54.8 million. The fiscal year 2008 State budget funds the current year expected benefit payments of approximately \$14.8 million, which is less than the ARC applicable under either funding basis.

In making these calculations, the independent actuarial firm utilized employee data and premium information provided by the State Treasurer's Office and assumed annual medical care inflation growth initially at 7.0% for

fiscal year 2008, declining to 6% for 2009, and 5% thereafter. The valuations also assumed continuation of current benefit levels and current retiree contribution requirements. The actuarial cost method used is projected unit credit. The difference between the value of prefunded and pay-as-you-go OPEB liabilities is due to the discount rate used in the calculation. In the absence of prefunding, the discount rate must approximate the State's rate of return on non-pension, liquid investments over the long term, estimated at 3.75%. In the event of prefunding, the discount rate would increase to a return on long-term investments consistent with the respective pension funds, estimated at 8.25% for both systems.

Copies of the STRS, VSRS and MERS defined benefit retirement plan's annual actuarial valuation report, information describing each defined benefit plan's provisions including vesting requirements, benefits provided, post retirement adjustments, information relating to the Vermont State Employees' and Municipal Employees' defined contribution plans, and the STRS and VSRS other postemployment benefit actuarial valuation reports are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

**Note 6: RESTRICTED NET ASSETS – Discretely Presented Component Units**

Restricted net assets are those portions of total net assets that are not appropriable for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2007 are as follows.

	<b>Vermont Student Assistance Corporation</b>	<b>University of Vermont and State Agricultural College</b>	<b>Vermont State Colleges</b>	<b>Non-major component units</b>
<b>Restricted for:</b>				
Endowments:				
Expendable	\$ 240,000	\$ 299,054,000	\$ 3,309,808	\$ -
Nonexpendable	2,912,000	72,138,000	12,202,393	-
Grants and scholarships	1,509,000	-	-	-
Bond resolution	80,176,000	-	-	-
Educational programs appropriation	744,000	-	-	-
Interest rate subsidies	-	-	-	2,658,874
Project and program commitments	-	-	-	20,435,623
Loans receivable <sup>(1)</sup>	-	-	-	110,700,182
<b>Total Component Units</b>				
- Restricted Net Assets	<u>\$ 85,581,000</u>	<u>\$ 371,192,000</u>	<u>\$ 15,512,201</u>	<u>\$ 133,794,679</u>

<sup>(1)</sup> Loans receivable for the Vermont Housing & Conservation Board include federally restricted funds.

**Note 7: LEASE COMMITMENTS**

**A. Operating Leases**

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2007:

Fiscal Year	Primary Government			Total
	Non-Cancelable Leases	Cancelable Leases		
2008	\$ 6,281,770	\$ 7,292		\$ 6,289,062
2009	5,129,056	5,270		5,134,326
2010	4,086,536	4,270		4,090,806
2011	3,074,963	3,562		3,078,525
2012	2,581,524	1,720		2,583,244
2013 to 2017	3,695,592	1,720		3,697,312
Totals	\$ 24,849,441	\$ 23,834		\$24,873,275

Fiscal Year	Component Units				Total
	Vermont State Colleges	University of Vermont and State Agricultural College	Non-major Component Units		
2008	\$ 1,936,558	\$ 984,000	\$ 130,296		\$ 3,050,854
2009	861,159	984,000	58,698		1,903,857
2010	547,674	789,000	14,600		1,351,274
2011	269,818	780,000	-		1,049,818
2012	264,719	780,000	-		1,044,719
2013 to 2017	-	2,915,000	-		2,915,000
Totals	\$ 3,879,928	\$ 7,232,000	\$ 203,594		\$11,315,522

### **B. Capital Leases**

The State has entered into capital lease arrangements to acquire various items of machinery and equipment with a gross asset value totaling \$1,053,270. The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2007 are as follows:

Fiscal Year	Primary Government	Component Unit Vermont State Colleges
2008	\$ 254,459	\$ 91,774
2009	236,134	64,885
2010	171,087	26,876
2011	7,122	14,961
2012	-	11,621
2013 - 2017	-	3,871
Total minimum lease payments	668,802	213,988
Less: interest	(68,512)	(25,524)
Present value of minimum lease payments	\$ 600,290	\$ 188,464

The State of Vermont, acting through its Agency of Transportation entered into a capital lease with Main Street Landing Company, for premises in and adjacent to Union Station at 1 Main Street, Burlington, Vermont, on January 20, 1998. The term of the lease was for a 20 year period and the entire 20 year rent of \$1,500,000 was prepaid in four equal installments beginning November 26, 1996 and ending in 1998. The terms of the lease give the State the right to purchase a condominium interest in their leased property at the end of the lease term for \$500,000 subject to certain terms and conditions. The State is also required to pay its share of certain annual operating costs throughout the terms of the lease.

#### Note 8: GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways and assistance to municipalities for construction of water and sewage systems and local schools. Also, bonds have been authorized and issued to refund outstanding general obligation bonds.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. Except for zero coupon capital appreciation bonds, the bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

The changes in bonds principal payable for fiscal year 2007 are summarized in the following schedule.

		General Obligation Bonds
Balance, July 1, 2006		\$ 461,273,817
Additions:		
Issuances	\$ 44,500,000	
Accretions	<u>2,121,304</u>	
Total		46,621,304
Deductions:		
Redemptions	<u>50,640,000</u>	
Total		<u>(50,640,000)</u>
Balance, June 30, 2007		<u>\$ 457,255,121</u>

During fiscal years 1991, 1992, and 1994, the State issued zero coupon capital appreciation bonds. Zero coupon capital appreciation bonds are bonds issued at a discount to their face value. Instead of interest being paid on a periodic (i.e. semi-annual) basis, an increase in the principal due (accreted amount) is recognized on a regular basis. The total accreted amount at maturity will be the face value of the bonds.

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of \$32,625,000 maturing on August 1 in the years 1999 through 2013. Proceeds from these bonds totaled \$17,987,640, and have an accreted value of \$10,994,554 at June 30, 2007.

On October 30, 1991, capital appreciation bonds with a maturity value of \$20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled \$9,999,837, and have an accreted value of \$5,488,060 at June 30, 2007.

During fiscal year 1991, capital appreciation bonds were issued with a maturity value of \$48,935,000, and are scheduled to mature on December 1 in the years 1995 through 2010. Proceeds from these bonds totaled \$19,310,002, and have an accreted value of \$14,357,508 at June 30, 2007.

Future general obligation debt service requirements at June 30, 2007 are as follows:

Fiscal Year	Current Interest Bonds		Capital Appreciation	Total
	Principal	Interest	Bonds	
2008	\$ 43,855,000	\$ 18,064,053	\$ 7,500,000	\$ 69,419,053
2009	43,345,000	16,393,769	7,495,000	67,233,769
2010	40,725,000	14,556,819	7,145,000	62,426,819
2011	36,875,000	12,790,978	7,140,000	56,805,978
2012	36,140,000	11,151,946	3,035,000	50,326,946
2013-2017	128,780,000	35,277,037	3,750,000	167,807,037
2018-2022	68,075,000	13,768,212	-	81,843,212
2023-2027	28,620,000	2,635,575	-	31,255,575
Totals	<u>\$ 426,415,000</u>	<u>\$124,638,389</u>	<u>\$ 36,065,000</u>	<u>\$ 587,118,389</u>

At June 30, 2007, there remains \$49,700,869 of authorized but unissued general obligation bonds.

See the following page for a schedule of general obligation bonds outstanding at June 30, 2007.

General Obligation Bonds outstanding at June 30, 2007 are comprised of the following issues:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value of Capital Appreciation Bonds	Maturity Value Sources of Payments			Maturity Value of Bonds Outstanding Total
					General Fund	Transportation Fund	Special Fund	
<b>General Obligation Current Interest Bonds:</b>								
08/01/1992	08/01/2008	3.0 to 5.75	\$ 71,280,000		\$ 4,080,000	\$ 25,000	\$ -	\$ 4,105,000
11/20/1996	01/15/2016	5.0 to 5.125	38,000,000		2,000,000	-	-	2,000,000
12/12/1996	01/15/2016	3.7 to 5.6	15,000,000		790,000	-	-	790,000
10/29/1997	01/15/2017	4.5 to 5.0	28,500,000		2,802,474	197,526	-	3,000,000
12/03/1997	01/15/2017	3.9 to 5.2	14,990,000		1,580,000	-	-	1,580,000
03/15/1998	01/15/2014	4.25 to 5.0	64,575,000		26,171,971	528,029	5,400,000	32,100,000
05/01/1998	01/15/2017	4.5 to 5.0	7,755,000		-	-	820,000	820,000
11/23/1998	01/15/2018	4.5 to 4.75	26,630,000		4,097,484	102,516	-	4,200,000
11/01/1999	02/01/2019	4.5 to 6.5	32,000,000		5,055,000	-	-	5,055,000
12/16/1999	02/01/2010	4.55 to 5.05	5,000,000		1,500,000	-	-	1,500,000
11/14/2001	08/01/2020	3.25 to 4.75	46,000,000		29,705,000	-	-	29,705,000
12/27/2001	08/01/2011	4.0 to 4.375	5,000,000		2,500,000	-	-	2,500,000
12/11/2002	08/01/2019	3.0 to 5.0	30,800,000		21,610,000	-	-	21,610,000
12/17/2002	08/01/2013	2.0 to 5.0	31,555,000		25,758,500	1,396,500	-	27,155,000
02/04/2003	08/01/2007	2.0 to 2.2	5,000,000		1,000,000	-	-	1,000,000
02/11/2004	02/01/2018	1.1 to 5.0	134,457,000		101,607,431	4,452,569	3,005,000	109,065,000
03/10/2004	03/01/2023	2.0 to 5.0	42,200,000		32,999,526	2,525,474	-	35,525,000
03/02/2005	03/01/2025	3.0 to 4.0	26,000,000		24,900,000	-	-	24,900,000
04/13/2005	03/01/2015	2.4 to 4.0	15,000,000		11,200,000	800,000	-	12,000,000
06/07/2005	03/01/2020	2.65 to 5.0	20,805,000		19,109,087	565,913	880,000	20,555,000
11/22/2005	07/15/2026	3.5 to 5.0	30,000,000		29,250,000	-	-	29,250,000
12/13/2005	07/15/2016	3.1 to 4.0	15,000,000		13,500,000	-	-	13,500,000
02/21/2007	07/15/2026	4.0 to 5.0	30,000,000		30,000,000	-	-	30,000,000
03/15/2007	07/15/2016	3.375 to 4.0	9,500,000		9,500,000	-	-	9,500,000
03/15/2007	07/15/2016	3.375 to 4.0	5,000,000		5,000,000	-	-	5,000,000
<b>Total General Obligation Current Interest Bonds</b>					<b>405,716,473</b>	<b>10,593,527</b>	<b>10,105,000</b>	<b>426,415,000</b>
<b>General Obligation Capital Appreciation Bonds:</b>								
12/13/90	12/01/10	N/A	19,310,002	48,935,000	16,440,000	-	-	16,440,000
10/30/91	10/15/11	N/A	9,999,837	20,575,000	6,425,000	-	-	6,425,000
12/01/93	08/01/13	N/A	17,987,640	32,625,000	13,200,000	-	-	13,200,000
<b>Total Maturity Value</b>					<b>36,065,000</b>	<b>-</b>	<b>-</b>	<b>36,065,000</b>
Less: Unaccreted Interest					5,224,879	-	-	5,224,879
<b>Total General Obligation Capital Appreciation Bonds</b>					<b>30,840,121</b>	<b>-</b>	<b>-</b>	<b>30,840,121</b>
<b>Total General Obligation Bonds</b>					<b>\$ 436,556,594</b>	<b>\$ 10,593,527</b>	<b>\$ 10,105,000</b>	<b>\$ 457,255,121</b>

**Note 9: PRIOR YEARS' BOND REFUNDINGS**

During fiscal years 2004 and 2005, the State of Vermont defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in irrevocable trusts. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2007, \$32,660,000 of the fiscal year 2004 defeased bonds remain outstanding, and \$20,895,000 of the fiscal year 2005 defeased bonds remain outstanding.

**Note 10: BUDGET STABILIZATION RESERVES**

The 1993 Legislature amended action taken by the 1987 Legislature by repealing legislation creating the Budget Stabilization Trust Fund and created separate Budget Stabilization Reserves within both the General Fund and Transportation Fund. The Education Fund Budget Stabilization Reserve was created by the 1999 Legislature. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances will consist of any unreserved undesignated surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. Pursuant to action taken by the Legislature, the Transportation Fund's Budget Stabilization Reserve at June 30, 2007 was \$10,670,870, the General Fund's Budget Stabilization Reserve was \$55,223,571 at June 30, 2007, and the Education Fund's Budget Stabilization Reserve at June 30, 2007 was \$28,247,817.

**Note 11: CONTINGENT AND LIMITED LIABILITIES****A. Contingent Liabilities****Vermont Economic Development Authority:**

In 1974, the General Assembly created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (the Authority) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Vermont Industrial Aid Board to it. Each of these original entities was relegated to a particular segment of industrial development. The Authority was established as a body corporate and politic and a public instrumentality of the State. It is governed by a twelve member board which consists of the Secretary of the Agency of Commerce and Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate.

The Authority has the power to insure up to \$15 million of loans made by financial institutions for the purchase of land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created the Authority. As of June 30, 2007, the Authority had mortgage insurance contracts totaling \$9,067,507. The full faith and credit of the State is pledged to support these activities of the Authority.

In fiscal year 2007, the Authority determined a loss on a mortgage insurance contract was probable, though the specific amount of loss is not determinable at this time. The Authority estimates the probable loss to range from a minimum of \$300,000 to a maximum of \$1,500,000. The Authority has recorded the \$300,000 loss and a receivable from the State for \$300,000. As the full faith and credit of the State supports this activity, the State has recorded a \$300,000 payable to the Authority in the Governmental Funds.

The Authority is authorized to reimburse lenders participating in the Vermont Financial Access Program for losses incurred on loans that the lenders register with the Authority. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed \$2 million at any one

time. The State's contingent liability at June 30, 2007 was \$895,949. The State's net cash contribution since inception is \$387,494.

Federal Grants:

The State receives federal grants that are subject to audit and review by federal grantor agencies. This could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting there from would not be material.

**B. Limited Liabilities**

Vermont Economic Development Authority:

The State has a limited liability for the Vermont Economic Development Authority. The Authority may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, the Authority must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont Municipal Bond Bank:

The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

Vermont Housing Finance Agency:

The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

**Note 12: LITIGATION**

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

**Note 13: JOINT VENTURE**

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission which is an interstate body, both corporate and politic, serving as a common agency of the party states and representing them both collectively and individually in the exercise of its powers and duties. The commission is composed of one member from each of the party states. Each state's lottery commission appoints one of its members to this position. The three-member commission annually elects a chairperson from among its members. The commission is empowered to operate and administer Tri-State Lotto and to promulgate rules and regulations governing the establishment and operation of the lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the commission. Fifty percent of the gross sales from each state are aggregated in a common prize pool, and operating costs are charged proportionally to each of the party states. The remaining revenues generated within each state remain in that particular state.

At June 30, 2007, the commission had total assets of \$135,452,716, and total liabilities of \$123,056,610, representing decreases of \$17.19 million and \$16.66 million respectively, compared to June 24, 2006. For the fiscal year ended June 30, 2007, the commission had operating revenues of \$69,297,048, an increase of \$4.02 million; interest income of \$743,821, an increase of \$226,106; commissions, fees, and bonus expenses of \$8,228,682, an increase of \$102,310; prize awards of \$34,665,998, an increase of \$1.97 million; and other operating expenses of \$3,831,317, a decrease of \$103,723; all activity as compared to the fiscal year ended June 24, 2006.

During fiscal year 2007, the commission made operating transfers to member states of \$23,314,872 versus \$21,040,102 during fiscal year 2006. This total included \$2,593,928 transferred to Vermont during the fiscal year, an increase of \$644,872 as compared to fiscal year 2006.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

#### **Note 14: RISK MANAGEMENT**

##### **A. Workers' Compensation and Liability Risk Management**

The Risk Management Division of the Department of Buildings and General Services administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The Risk Management Division sets aside assets and pays claims utilizing the following three Internal Service Funds:

- Workers' Compensation Self Insurance Fund
- State Liability Self Insurance Fund
- Risk Management – All Other Fund (used for the purchase of commercial insurance)

The Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. All claims are processed by Risk Management Division personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. Liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management Division utilizing departmental exposure and experience factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. The State's exposure to risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. Exposure outside of Vermont is potentially unlimited. The State is self-insured for the first \$250,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to \$1,000,000 in Vermont and \$10,000,000 for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by Risk Management Division personnel (prior to 2006, claims were processed by a third-party administrator), and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's liability exposure is reliable. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management Division utilizing departmental exposure and experience factors.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self-assumed. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are the same as those listed above for the other funds.

#### **B. Health Care, Dental Insurance, Life Insurance, Employee Assistance, and Long Term Disability Funds For State Employee Benefit Plans**

The Administrative Services Division of the Department of Human Resources maintains medical, dental, life insurance, employee assistance, and long term disability program funds for the benefit of current State employees, retirees, retired former employees (allowed participation by statute or labor agreement), legislators, and employees and certain former employees of outside groups which have been declared eligible to participate by statute. All or some of these named groups may participate in each plan depending upon the plan. Temporary and contractual employees are not eligible to participate in these plans.

Participating employees share in the premium cost of all of the medical plans. Premium rate setting is performed by an outside actuary in conjunction with the Fiscal Unit of the Administrative Services Division of the Department of Human Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience.

The current medical plan offerings include four plan options. TotalChoice, HealthGuard, and SafetyNet are "preferred provider organization" indemnity-type plans. There is a lifetime limit on coverage for a participant in these three plans. The SelectCare POS is a "point of service" plan, similar to an open-ended HMO. Members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so. There is no lifetime coverage limit; however, benefits are administered under a managed care arrangement. All four health plan options are self insured by the State. The State employs a third party administrator to provide administrative services, including claim payment. To limit the State's large claims exposure, the State has purchased stop loss insurance.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to \$1,000 regular dental benefits annually and up to \$1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The Fiscal Unit of Administrative Services Division within the Department of Human Resources sets the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents.

The State of Vermont Employee Life Insurance Program consists of a Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest \$100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of \$5,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Administrative Services Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees, and current active employees of outside groups are eligible to participate.

A Flexible Spending Account (FSA) Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses. The FSA Program administrator is paid a monthly fee based on the number of enrolled employees. No claims costs are incurred under this plan by the State.

An Employee Assistance Program (EAP) is provided for the benefit of State employees and members of their immediate household. This program assists employees and family members in addressing problems that impact their lives including stress, family, financial, drugs and substance abuse, and other issues. Active State employees and their families are eligible for this program. The EAP Program Manager is paid a monthly fee based on the number of employees who work for the State. The plan provides up to 5 counseling sessions per case through a network of providers. No claims costs, or claims liabilities are incurred under this plan by the State. The State pays 100% of the premium for this plan.

A Long Term Disability Program is provided as an income replacement benefit for certain State employees who become disabled due to non-occupational injury or illness, and the disability is expected to be long term or permanent. The plan provides financial protection for State employees and their families by continuing a portion of their income while disabled. Only State employees who are not eligible to be represented by the employees' union (the Vermont State Employees Association) are eligible for this benefit. There is a one-year eligibility waiting period before coverage is effective. This plan is fully insured through an insurance company, so there is no liability to the State for claims. The premium is based on a percentage of the salaries of eligible participants. The State issues payment to the insurance company for the premium and the cost is then recovered from eligible employees in the following manner: Those eligible employees who are covered by a leave plan forfeit one day of compensated absence leave per year. Those eligible employees who are not covered by a leave plan have a one-time 0.2% salary reduction in their next cost-of-living increase following eligibility.

The following is a table displaying three years' changes in the respective funds' claims liability amounts. The claims liability (estimated at their non-discounted gross amount) do not include non-incremental claims adjustment expenses.

<u>Fund and Fiscal Year</u>	<u>Liability at Beginning of the Fiscal Year</u>	<u>Current FY Claims and Changes in Estimates</u>	<u>Current FY Claims Payments</u>	<u>Balance of Liability at End of Fiscal Year</u>
<b>Workers' Compensation Fund</b>				
2005	\$14,471,003	\$ 5,791,361	\$ 5,482,971	\$ 14,779,393
2006	14,779,393	8,390,960	5,968,751	17,201,602
2007	17,201,602	6,716,086	5,726,127	18,191,561
<b>State Liability Insurance Fund</b>				
2005	7,750,138	916,676	1,677,010	6,989,804
2006	6,989,804	1,036,594	2,053,797	5,972,601
2007	5,972,601	(162,879)	1,056,976	4,752,746
<b>Medical Insurance Fund</b>				
2005	9,896,001	73,415,841	72,614,267	10,697,575
2006	10,697,575	79,503,185	80,171,813	10,028,947
2007	10,028,947	90,495,260	90,034,981	10,489,226
<b>Dental Insurance Fund</b>				
2005	370,282	4,912,541	4,895,269	387,554
2006	387,554	5,033,480	5,135,178	285,856
2007	285,856	5,013,548	5,023,647	275,757

Worker's Compensation Fund - The fiscal year 2005 Current FY Claims and Changes in Estimates column includes \$65,368 for claims liability included in accounts payable in the prior year.

**Note 15: DEFICIT FUND BALANCES - NET ASSETS**

The following individual funds had deficit total fund balances, net assets or deficit unrestricted net assets at June 30, 2007.

**Governmental Funds**

*Global Commitment Fund:* This major governmental fund reports the costs for services provided by the Office of Vermont Health Access (OVHA) under the Global Commitment to Health 1115 Medicaid Waiver (GC waiver) agreement between the Agency of Human Services and the Centers for Medicare and Medicaid Services (CMS), which began on October 1, 2005 and ends on September 30, 2010. The OVHA receives monthly premium payments into the fund from the Agency of Human Services, based on actuarially certified premium rate ranges and number of enrolled individuals. When the GC waiver began, premiums received under the GC waiver were used to pay claims incurred under the State's previous waiver, which was consistent with a cost based reimbursement arrangement. The Agency of Human Services reported to CMS that these premiums were used for the payment of prior waiver claims. From October 1, 2005 through June 30, 2006, the State continued to operate the Global Commitment arrangement as a cost based reimbursement. As part of the fiscal 2006 financial reporting process, a receivable in the Global Commitment Fund was recognized for the claims incurred under the GC waiver. During fiscal 2007, management revisited its position and recognized that this treatment may not be the most conservative approach for the State's financial reporting, and some ambiguity exists with respect to the GC waiver being a traditional cost based reimbursement arrangement. Management has concerns over the ability to estimate an amount collectable within the current accounting period. Therefore, at June 30, 2007, management has not recognized any additional amount due to the Global Commitment Fund for the claims incurred. Because the costs attributable to services provided under the previous waiver had not been included in the data used to determine the actuarially certified premium rates, the premiums received through June 30, 2007 were not sufficient to cover the cost of the services. At June 30, 2007 the Global Commitment Fund has a \$31,045,289 deficit fund balance. The State plans to reduce this deficit balance over the remaining term of the Waiver through adjustments to the actuarial premium rate ranges, or if necessary, will include the reimbursement of these pre-Global Commitment Waiver costs in future Waiver negotiations with the Center for Medicare and Medicaid Services.

**Business-type Proprietary Funds**

*Federal Surplus Property:* ended fiscal year 2007 with both a deficit unrestricted net asset and total net asset balance of \$629,304. These deficits are primarily the result of (1) the prices set not being high enough to offset the acquisition expenses incurred to obtain the disposed items and (2) timing differences resulting from the expensing of the acquisition costs associated with items retrieved in a different year than the sale if ever sold. As the activity of this program is dependent on final sales price received for goods sold and the program being very popular with municipalities, any continued deficit that cannot be recovered through normal business operations will result in a request for recapitalization of the program being made to the Legislature.

*Vermont Life:* had a deficit unrestricted net asset balance of \$354,227 and a deficit total net asset balance of \$351,038 as of June 30, 2007. The fund operated at a loss in both fiscal year 2006 (\$145,132) and 2007 (\$221,536.) These operating losses and their related net asset deficits are primarily the result of the effect of decreasing revenues as well as increased printing, postage and payroll costs. In early fiscal year 2007, a publisher was hired to plan, oversee and implement changes at Vermont Life with a goal towards improving its financial performance while maintaining its quality and value to the State of Vermont. In fiscal year 2007, Vermont Life has had many staff changes, including the retirement of the Editor-in-Chief, Director of Operations and Managing Editor. In addition, three full time permanent staff positions were eliminated and one position was reduced to permanent part-time. The prices of Vermont Life advertising and calendars and some other products were increased. During fiscal year 2007, cost reductions, to be effective in fiscal year 2008, were achieved by rebidding the printing and fulfillment contracts and changing the paper used for the magazine. Vermont Life anticipates in fiscal year 2008 that the fiscal year deficit will be reduced by approximately \$100,000. Further steps to reduce the deficit are planned for fiscal year 2009.

**Internal Service Funds**

*Highway Garage Fund:* ended fiscal year 2007 with a deficit unrestricted net asset balance of \$1,426,164. The Highway Garage Department has restructured its 5-year plan to eliminate the remaining deficit by increasing rental rates to eliminate 20% of the deficit in a given year.

*Communications & Information Technology Fund:* ended fiscal year 2007 with a deficit unrestricted net asset balance of \$659,403. During fiscal year 2007, the fund eliminated its total net asset deficit and reduced its unrestricted net asset deficit balance by 56%. The fund ended fiscal year 2007 with a total net asset balance of \$845,927. In fiscal year 2008, the Communications & Information Technology fund and the GOVNet fund are being combined into a single fund. The combined fund is beginning fiscal 2008 with a total net asset balance of \$244,782. The Department of Information and Innovation will reduce the unrestricted net asset deficit balances over the next few years.

*GOVNet Fund:* ended fiscal year 2007 with a deficit unrestricted net asset balance of \$999,859 and a deficit total net asset balance of \$601,144. Fiscal year 2007 ended with the unrestricted net asset deficit reduced by \$62,186 and the deficit total net asset deficit increased by \$81,321. In fiscal year 2008, the Communications & Information Technology fund and the GOVNet fund are being combined into a single fund. The combined fund is beginning fiscal year 2008 with a total net asset balance of \$244,782. The Department of Information and Innovation will reduce the unrestricted net asset deficit balances over the next few years.

*Fleet Fund:* ended fiscal year 2007 with a deficit unrestricted net asset balance of \$5,079,202 and a deficit total net asset balance of \$60,923. This unrestricted deficit is due to the perpetual investment in fleet vehicles funded through short term borrowings from the general fund. Fiscal year 2007 was the first full year with adjusted rental rates. As such, the program is currently collecting slightly more than is needed to operate the program. The deficit total net asset balance was reduced in fiscal year 2007 and is expected to be reduced in future periods.

*Single Audit Revolving Fund:* ended fiscal year 2007 with a deficit unrestricted and a deficit total net asset balance of \$107,484. This deficit is the result of costs incurred during fiscal year 2007 associated with fiscal year 2007 Single Audit. These costs will be billed in fiscal year 2008 as part of the charge for the fiscal year 2007 audit.

*Copy Center Fund:* ended fiscal year 2007 with a deficit unrestricted net asset balance of \$3,180,746 and a deficit total net asset balance of \$2,011,782. The operating and fund deficits are the result of operations with the convenience copier program and print shop. The Department of Buildings and General Services is continuing to review the viability of these programs. The convenience copier program will most likely not be eliminated due to accounting rules for capital leases and their relationship to the State's debt statement. Print shop activities, despite a rate increase in fiscal year 2007, saw a dramatic decline in customer sales due to the increase use and availability of desk top publishing and on-line posting of documents. As a result, the program is currently reducing staffing and operating expenses in an attempt to break even in fiscal year 2008. Also, \$1,050,000 was allocated to the Copy Center Fund for deficit reduction transferred from the General Fund as part of Waterfall – Act 65 Sec. 277 (c) (1).

*Postage Fund:* ended fiscal year 2007 with both a deficit unrestricted net asset balance of \$1,138,023 and a deficit total net asset balance of \$1,107,560. The program received a rate increase in fiscal year 2007. The operating and fund deficits were due to increased efficiencies in the program being passed 100% to customers. The rate increase will retain a portion of these savings in the postal program. With rates being increased late in fiscal year 2007, the program was not able to breakeven for this period but the operating loss was reduced by 50% from fiscal year 2006. The program is expected to be slightly in the black in fiscal year 2008 which will be used to reduce the negative net asset balance. Also, \$150,000 was allocated to the Postage Fund for deficit reduction transferred from the General Fund as part of Waterfall – Act 65 Sec. 277 (c) (1).

*Facilities Operations Fund:* ended fiscal year 2007 with a deficit unrestricted net asset balance of \$2,271,023 and a deficit total net asset balance of \$1,706,107. The fund deficit began to grow in fiscal year 2007 due to

several emergency situations involving indoor air quality issues and employee health concerns. As a result, more money is being spent to safeguard employees and correct the building problems than was planned. This issue is a priority for the Legislature and the Administration and it is expected that funds will be made available to reverse this trend in deficit spending.

*Property Management Fund:* had a deficit unrestricted net asset balance of \$12,599,629 and a deficit total net asset balance of \$12,596,378 as of June 30, 2007. This fund deficit is an expected deficit given the purchase of 3 office buildings whose acquisition costs were financed by 20-year bonds. The funding for the payoff of these bonds is being recovered over a 50 year period. This deficit is calculated to continue growing until the bonds are paid off at which time the deficit will start to decrease annually and will be eliminated at the end of the 50-year recovery period. A review of the funding scheme demonstrated that no savings would occur if the State attempted to recover the costs over a shorter period due to federal rules. Contributing to the deficit is a lack of a sufficient revenue stream to cover operating costs for the program. A request will be made for a supplemental general fund appropriation on an annual basis to cover this funding gap in the program. Also, \$300,000 was allocated to the Property Management Fund for deficit reduction transferred from the General Fund as part of Waterfall – Act 65 Sec. 277 (c) (1).

*Risk Management All-Other Fund:* ended fiscal year 2007 with a deficit unrestricted and a deficit total net asset balance of \$388,197. The fund recovers the costs of the program from the policy holders through a surcharge on 3<sup>rd</sup> party insurance premiums. The program is intended to purchase insurance coverage on behalf of specific customers for specific reasons. The policyholders are responsible for the total costs including overhead charges for the programs they participate in. Any deficits in the program are due to timing differences between billing customers for the policies and paying the provider of the coverage.

*Workers' Compensation Fund:* ended fiscal year 2007 with a deficit unrestricted and a deficit total net asset balance of \$3,013,491. Rate increases have resulted in the fund recovering expenditures, both cash and actuarial, in fiscal year 2007 helping to reduce the negative net asset balance, though the fund remains less than fully funded for future claims. The plan is to increase rates in fiscal year 2009 in an attempt to eliminate these fund deficits.

**Note 16: CHANGES IN LONG-TERM LIABILITIES**

During the year ended June 30, 2007, the following changes occurred in long-term liabilities:

**PRIMARY GOVERNMENT**

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>Amounts due within one year</u>
<b>Governmental activities:</b>					
Bonds payable (1)	\$ 461,273,817	\$ 46,621,304	\$ 50,640,000	\$ 457,255,121	\$ 50,855,000
Capital leases payable	845,784	114,162	359,656	600,290	215,241
Compensated absences	30,473,144	21,622,281	20,265,102	31,830,323	21,107,938
Claims and judgments	33,489,006	102,062,015	101,841,731	33,709,290	10,764,983
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligation	204,875,090	4,869,048	42,449	209,701,689	-
Other liabilities	13,084,708	305,058	1,292,101	12,097,665	1,292,101
Total governmental activities long-term liabilities	<u>\$ 751,041,549</u>	<u>\$175,593,868</u>	<u>\$174,441,039</u>	<u>\$ 752,194,378</u>	<u>\$ 84,235,263</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 336,564	\$ 195,343	\$ 208,749	\$ 323,158	\$ 209,516
Lottery prize awards payable	4,483,687	66,220,401	65,721,569	4,982,519	483,334
Total business-type activities long-term liabilities	<u>\$ 4,820,251</u>	<u>\$ 66,415,744</u>	<u>\$ 65,930,318</u>	<u>\$ 5,305,677</u>	<u>\$ 692,850</u>
<b>Fiduciary:</b>					
Compensated absences	\$ 4,658	\$ 4,474	\$ 4,658	\$ 4,474	\$ 4,474
Total fiduciary long-term liabilities	<u>\$ 4,658</u>	<u>\$ 4,474</u>	<u>\$ 4,658</u>	<u>\$ 4,474</u>	<u>\$ 4,474</u>
<b>COMPONENT UNITS</b>					
Bonds and notes payable	\$ 2,656,847,925	\$565,847,360	\$216,417,226	\$ 3,006,278,059	\$182,309,479
Capital leases payable	280,821	14,268	106,625	188,464	80,771
Accrued arbitrage rebate	24,357,265	10,477,285	1,365,405	33,469,145	761,545
Other liabilities	21,483,406	5,278,317	3,642,737	23,118,986	941,000
Total component units long-term liabilities	<u>\$ 2,702,969,417</u>	<u>\$581,617,230</u>	<u>\$221,531,993</u>	<u>\$ 3,063,054,654</u>	<u>\$184,092,795</u>

(1) Governmental activities bonds payable additions include \$2,121,304 of accretions on capital appreciation bonds.

**Note 17: RESTATEMENTS**

The July 1, 2006 net assets balance of the Vermont State Colleges component unit has been restated for an upward adjustment of \$460,880. This adjustment was made to record an in-kind gift of \$1,185,120 equipment capital assets received in a prior year; accumulated depreciation on the equipment as of July 1, 2006 was \$724,240.

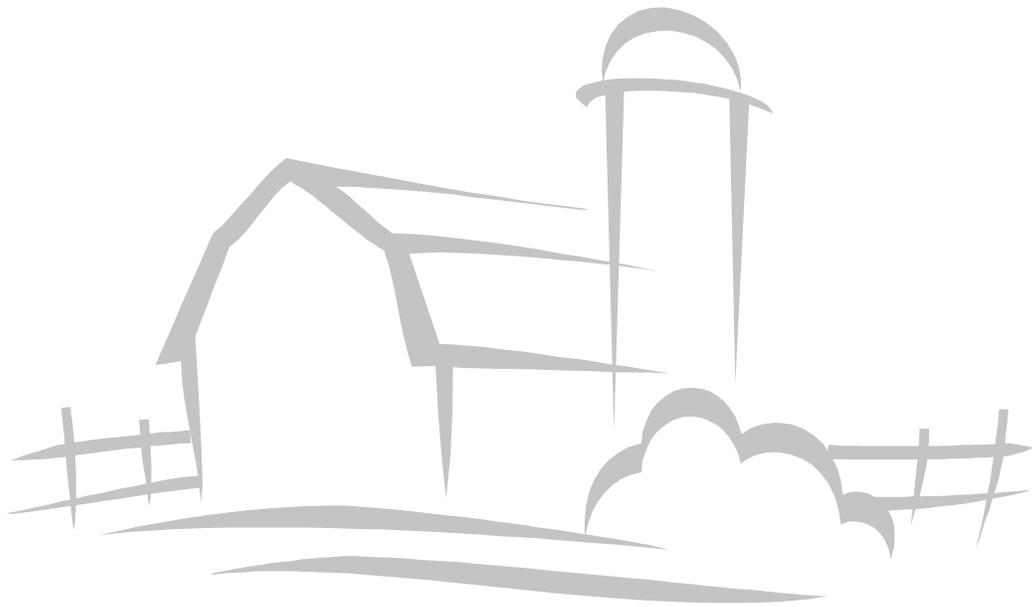
In addition, the July 1, 2006 net assets of the non-major component units as reported herein includes the \$31,190 net asset balance of the Vermont Film Corporation; this agency was not included in the State's reporting entity previously.

**Note 18: SUBSEQUENT EVENTS****Debt Issuances**

The State issued \$35,000,000 of 2007 Series D General Obligation Bonds dated November 28, 2007. Interest rates on these bonds vary from 3.50% to 5.25%. Payments to the bondholders are scheduled to commence July 15, 2008 and terminate July 15, 2027. Additionally, the State issued \$11,000,000 of 2007 Series E General Obligation Bonds (Vermont Citizen Bonds) dated December 20, 2007. Interest rates on these bonds vary from 3.0% to 4.0%. Payments to bond holders are scheduled to commence July 15, 2008 and terminate July 15, 2017. The proceeds from these issuances will be used to fund capital improvements of the State authorized by the Legislature in Act 43 of 2005 and Act 52 of 2007.

Additionally, the State issued \$29,195,000 of 2007 Series F General Obligation Refunding Bonds dated December 20, 2007, for the purposes of (a) current refunding of \$26,995,000 outstanding principal of the 1998 Series A General Obligation Refunding Bonds, and (b) advance refunding of \$1,400,000 outstanding principal of the 1998 Series C General Obligation Bonds. Interest rates on the Series F bonds range from 3.0% to 5.0%, and payments to bond holders are scheduled to commence July 15, 2008 and terminate July 15, 2017. As a result of the bond refunding transaction, the State reduces its total debt service payments over the next 11 years by \$1,626,672, and achieves an economic gain (difference between the present values of the old and new debt service payments) of \$1,099,226.

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*



***Required Supplementary Information***  
*(Unaudited)*

**State of Vermont**  
**Required Supplementary Information**  
**Defined Benefit Pension Plans**  
**Schedule of Funding Progress**  
(dollar amounts in 1000's)  
(Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>VSRS</u><sup>1</sup></b>						
2007	\$1,318,687	\$ 1,307,643	\$ (11,044)	100.8%	\$ 386,917	-2.9%
2006	1,223,323	1,232,367	9,044	99.3%	369,310	2.4%
2005	1,148,908	1,174,796	25,888	97.8%	349,258	7.4%
2004	1,081,359	1,107,634	26,275	97.6%	336,615	7.8%
2003	1,025,469	1,052,004	26,535	97.5%	319,855	8.3%
2002	990,450	1,017,129	26,679	97.4%	300,994	8.9%
<b><u>STRS</u><sup>1</sup></b>						
2007	\$1,541,860	\$ 1,816,650	\$ 274,790	84.9%	\$ 515,573	53.3%
2006	1,427,393	1,686,502	259,109	84.6%	499,044	51.9%
2005	1,354,006	1,492,150	138,144	90.7%	468,858	29.5%
2004	1,284,833	1,424,662	139,829	90.2%	453,517	30.8%
2003	1,218,001	1,358,822	140,821	89.6%	437,239	32.2%
2002	1,169,294	1,307,202	137,908	89.5%	418,904	32.9%
<b><u>MERS</u></b>						
2007	\$ 325,774	\$ 309,853	\$ (15,921)	105.1%	\$ 162,321	-9.8%
2006	288,347	276,552	(11,795)	104.3%	148,815	-7.9%
2005	259,076	248,140	(10,936)	104.4%	146,190	-7.5%
2004	232,890	225,092	(7,798)	103.5%	135,351	-5.8%
2003	222,854	218,533	(4,321)	102.0%	126,216	-3.4%
2002	193,278	176,109	(17,169)	109.7%	106,986	-16.0%

<sup>1</sup> The funding method for VSRS and STRS was changed from "entry age normal with frozen initial liability" to "entry age normal" effective with the 2006 actuarial valuation.

**State of Vermont**  
**Required Supplementary Information**  
**Defined Benefit Pension Plans**  
**Schedule Of Employer Contributions**  
**(Unaudited)**

<b>Retirement System</b>	<b>Year Ended 6/30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
Vermont State Retirement System	2007	\$ 40,189,812	97.78%
	2006	38,214,704	97.58%
	2005	36,019,056	101.32%
	2004	29,023,431	91.81%
	2003	24,715,309	98.70%
	2002	24,189,000	98.34%
State Teachers' Retirement System	2007	\$ 38,929,729	98.89%
	2006	56,627,046	44.06%
	2005	47,714,318	51.23%
	2004	41,658,946	58.68%
	2003	28,279,810	72.30%
	2002	22,146,880	92.32%
Vermont Municipal Employees' Retirement System	2007	\$ 8,546,496	100.00%
	2006	7,839,769	100.00%
	2005	7,359,628	100.00%
	2004	6,616,630	100.00%
	2003	5,854,111	100.00%
	2002	4,984,484	100.00%

**State of Vermont**  
**Required Supplementary Information**  
**Other Postemployment Benefit Plans**  
**Schedule of Funding Progress**  
**With Actuarial Assumptions Based on a Pay-As-You-Go Basis**  
**(dollar amounts in 1000's)**  
**(Unaudited)**

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>State Employees' Postemployment Benefit Pension Trust Fund</b>						
2007	\$ 2,067	\$ 606,499	\$ 604,432	0.3%	\$386,917	156.2%
2006	0	552,152	552,152	0.0%	369,310	149.5%
2005	0	529,027	529,027	0.0%	349,258	151.5%

Assuming a discount rate of 3.75%

**State of Vermont**  
**Required Supplementary Information**  
**Other Postemployment Benefit Plans**  
**Schedule Of Employer Contributions**  
**(Unaudited)**

OPEB Fund	Year Ended 6/30	Annual Required Contribution *	Percentage Contributed
<b>State Employees' Postemployment Benefit Pension Trust Fund</b>	2007	\$ 40,874,365	5.41%

\* Determined on a pay-as-you-go-basis

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 1,023,321,600	\$ 1,089,093,400	\$ 1,123,709,551	\$ 34,616,151
Earnings of Departments.....	12,900,000	14,200,000	15,714,062	1,514,062
Other.....	22,778,400	20,806,600	11,947,856	(8,858,744)
<b>Total revenues.....</b>	<b>1,059,000,000</b>	<b>1,124,100,000</b>	<b>1,151,371,469</b>	<b>27,271,469</b>
<b>Expenditures:</b>				
<b>General Government</b>				
Agency of Administration.....	43,630,542	45,309,583	40,910,778	4,398,805
Executive Office.....	1,490,119	1,516,224	1,510,731	5,493
Legislative Council.....	8,243,385	10,739,044	10,145,662	593,382
Joint Fiscal Office.....	1,231,627	1,355,931	1,217,720	138,211
Sergeant at Arms.....	529,572	621,931	606,762	15,169
Lieutenant Governors Office.....	147,018	148,315	148,104	211
Auditor of Accounts.....	521,987	614,652	545,077	69,575
Office of Treasurer.....	1,028,843	1,069,160	960,482	108,678
State Labor Relations Board.....	199,739	215,793	204,510	11,283
VOSHA Reivew Board.....	20,269	25,880	24,679	1,201
<b>Protection to Persons and Property</b>				
Attorney General.....	4,474,182	4,624,686	4,624,686	-
Defender General.....	8,969,021	9,299,028	9,152,018	147,010
Judiciary.....	29,691,689	30,200,211	30,200,125	86
State's Attorneys & Sheriffs.....	11,035,065	11,492,595	10,699,099	793,496
Department of Public Safety.....	9,681,155	12,535,725	12,204,848	330,877
Military Department.....	3,179,644	3,776,635	3,306,169	470,466
Center Crime Victim Services.....	1,125,253	1,126,568	1,125,251	1,317
Criminal Justice Training Council.....	1,171,978	1,354,706	1,354,363	343
Agency of Agricultural, Food, and Markets.....	5,757,329	16,195,366	14,468,977	1,726,389
Banking, Insurance, Securities, and				
Health Care Administration.....	711,000	708,753	708,728	25
Secretary of State.....	586,693	1,119,739	1,102,581	17,158
Public Service Department.....	-	97,724	40,947	56,777
Human Rights Commission.....	288,006	339,884	311,857	28,027
<b>Human Services</b>				
Agency of Human Services.....	484,725,214	501,911,252	488,788,551	13,122,701
Governor's Commission on Women.....	256,487	281,602	276,551	5,051
Veteran's Home.....	-	175,826	175,826	-
<b>Labor</b>				
Department of Labor.....	2,310,220	3,517,413	2,430,673	1,086,740

Continued on next page —>

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Expenditures:</b>				
<b>General Education</b>				
Department of Education.....	28,042,960	37,718,188	35,120,893	2,597,295
Property Tax Assistance.....	2,250,000	2,250,000	2,250,000	-
State Teachers' Retirement.....	29,446,729	37,246,729	37,246,729	-
Higher Education.....	80,955,103	84,740,103	84,575,103	165,000
<b>Natural Resources</b>				
Agency of Natural Resources.....	23,943,500	29,297,253	25,031,115	4,266,138
Natural Resources Board.....	1,058,883	1,258,847	991,960	266,887
<b>Commerce and Community Development</b>				
Agency of Commerce & Community Development.....	13,713,956	19,176,377	15,260,983	3,915,394
Cultural Development.....	1,562,390	1,562,390	1,562,390	-
<b>Transportation</b>				
Agency of Transportation.....	-	5,469,000	3,952,191	1,516,809
<b>Debt service</b>				
Principal and Interest.....	64,549,851	64,575,180	64,547,179	28,001
<b>Total expenditures</b> .....	<b>866,529,409</b>	<b>943,668,293</b>	<b>907,784,298</b>	<b>35,883,995</b>
<b>Excess of revenues over expenditures</b> .....	<b>192,470,591</b>	<b>180,431,707</b>	<b>243,587,171</b>	<b>63,155,464</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in.....	17,072,168	41,986,237	41,986,237	-
Transfers out.....	(276,907,756)	(304,548,372)	(304,548,372)	-
Premium on sale of bonds.....	-	164,658	164,658	-
<b>Total other financing sources (uses)</b> .....	<b>(259,835,588)</b>	<b>(262,397,477)</b>	<b>(262,397,477)</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b> .....	<b>(67,364,997)</b>	<b>(81,965,770)</b>	<b>(18,810,306)</b>	<b>63,155,464</b>
<b>Fund balance, July 1</b> .....	<b>140,310,806</b>	<b>140,310,806</b>	<b>140,310,806</b>	<b>-</b>
<b>Fund balance, June 30</b> .....	<b>\$ 72,945,809</b>	<b>\$ 58,345,036</b>	<b>\$ 121,500,500</b>	<b>\$ 63,155,464</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**TRANSPORTATION FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 140,966,700	\$ 137,166,700	\$ 135,754,010	\$ (1,412,690)
Motor Vehicle Fees.....	60,000,000	66,700,000	65,439,275	(1,260,725)
Federal.....	245,014,085	238,494,495	185,655,451	(52,839,044)
Other.....	19,344,123	24,148,508	26,002,015	1,853,507
<b>Total revenues.....</b>	<b><u>465,324,908</u></b>	<b><u>466,509,703</u></b>	<b><u>412,850,751</u></b>	<b><u>(53,658,952)</u></b>
<b>Expenditures:</b>				
<b>General Government</b>				
Agency of Administration.....	2,405,219	1,154,473	154,676	999,797
Legislative Council.....	-	1,667	1,667	-
Joint Fiscal Office.....	-	4,111	3,997	114
Sergeant At Arms.....	-	639	-	639
Lieutenant Governor's Office.....	-	282	282	-
State Labor Relations Board.....	-	5,467	5,467	-
<b>Protection to Persons and Property</b>				
State's Attorneys & Sheriffs.....	-	11,482	8,003	3,479
Department of Public Safety.....	35,440,855	35,865,535	35,752,932	112,603
<b>General Education</b>				
Department of Education.....	127,483	127,483	127,483	-
<b>Natural Resources</b>				
Agency of Natural Resources.....	-	127,657	127,657	-
<b>Transportation</b>				
Agency of Transportation.....	439,650,838	436,118,808	370,425,610	65,693,198
<b>Debt service</b>				
Principal and Interest.....	2,086,135	2,087,951	2,087,951	-
<b>Total expenditures.....</b>	<b><u>479,710,530</u></b>	<b><u>475,505,555</u></b>	<b><u>408,695,725</u></b>	<b><u>66,809,830</u></b>
<b>Excess of revenues over expenditures.....</b>	<b><u>(14,385,622)</u></b>	<b><u>(8,995,852)</u></b>	<b><u>4,155,026</u></b>	<b><u>13,150,878</u></b>
<b>Other Financing Sources (Uses):</b>				
Transfers in.....	-	8,000,000	8,000,000	-
Transfers out.....	(2,193,314)	(3,043,314)	(3,043,314)	-
<b>Total other financing sources (uses).....</b>	<b><u>(2,193,314)</u></b>	<b><u>4,956,686</u></b>	<b><u>4,956,686</u></b>	<b><u>-</u></b>
<b>Excess of revenues and other sources over (under) expenditures and other uses.....</b>	<b><u>(16,578,936)</u></b>	<b><u>(4,039,166)</u></b>	<b><u>9,111,712</u></b>	<b><u>13,150,878</u></b>
<b>Fund balance, July 1.....</b>	<b><u>5,287,937</u></b>	<b><u>5,287,937</u></b>	<b><u>5,287,937</u></b>	<b><u>-</u></b>
<b>Fund balance, June 30.....</b>	<b><u>\$ (11,290,999)</u></b>	<b><u>\$ 1,248,771</u></b>	<b><u>\$ 14,399,649</u></b>	<b><u>\$ 13,150,878</u></b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**EDUCATION FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes.....	\$ 1,015,457,920	\$ 1,019,057,320	\$ 1,017,604,228	\$ (1,453,092)
Interest & premiums.....	-	(1,000,000)	(1,284,028)	(284,028)
Other .....	-	-	14,265	14,265
<b>Total revenues.....</b>	<b>1,015,457,920</b>	<b>1,018,057,320</b>	<b>1,016,334,465</b>	<b>(1,722,855)</b>
<b>Expenditures:</b>				
<b>General education</b>				
Department of Education.....	1,194,009,219	1,195,197,010	1,190,954,749	4,242,261
Property Tax Assistance.....	119,413,378	117,451,753	116,710,245	741,508
<b>Total expenditures.....</b>	<b>1,313,422,597</b>	<b>1,312,648,763</b>	<b>1,307,664,994</b>	<b>4,983,769</b>
<b>Excess of revenues over expenditures.....</b>	<b>(297,964,677)</b>	<b>(294,591,443)</b>	<b>(291,330,529)</b>	<b>3,260,914</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in.....	274,350,268	311,309,527	311,309,527	-
Transfers out.....	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>274,350,268</b>	<b>311,309,527</b>	<b>311,309,527</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses.....</b>	<b>(23,614,409)</b>	<b>16,718,084</b>	<b>19,978,998</b>	<b>3,260,914</b>
<b>Fund balance, July 1.....</b>	<b>29,355,245</b>	<b>29,355,245</b>	<b>29,355,245</b>	<b>-</b>
<b>Fund balance, June 30.....</b>	<b>\$ 5,740,836</b>	<b>\$ 46,073,329</b>	<b>\$ 49,334,243</b>	<b>\$ 3,260,914</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**SPECIAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Special Fund Revenues.....	\$ 164,510,115	\$ 207,293,992	\$ 205,598,825	\$ (1,695,167)
<b>Total revenues.....</b>	<b>164,510,115</b>	<b>207,293,992</b>	<b>205,598,825</b>	<b>(1,695,167)</b>
<b>Expenditures:</b>				
<b>General government</b>				
Agency of Administration.....	7,265,253	14,198,603	9,963,276	4,235,327
Executive Office.....	161,000	161,000	161,000	-
Legislative Council.....	-	57,584	14,788	42,796
Auditor of Accounts.....	54,431	54,431	54,431	-
Treasurer's Office.....	1,315,253	1,521,055	1,520,161	894
State Labor Relations Board.....	5,870	7,278	6,559	719
Unorganized Towns & Gores.....	-	185,000	164,735	20,265
<b>Protection to persons and property</b>				
Attorney General.....	3,988,565	4,632,740	3,968,552	664,188
Defender General.....	717,308	763,774	750,597	13,177
Judiciary.....	2,903,335	2,998,109	2,927,275	70,834
State's Attorneys & Sheriffs.....	1,844,998	2,099,998	1,920,720	179,278
Department of Public Safety.....	10,979,792	12,596,876	11,575,646	1,021,230
Military Department.....	-	67,931	61,124	6,807
Center of Crime Victim's Services.....	4,876,155	4,876,155	4,098,724	777,431
Criminal Justice Training Council.....	635,850	924,782	902,154	22,628
Agency of Agriculture, Food & Markets.....	7,138,176	10,638,733	9,775,723	863,010
Banking, Insurance, Securities, and Health Care Administration.....	12,337,075	13,228,803	11,962,030	1,266,773
Secretary of State.....	3,994,885	4,125,932	4,090,106	35,826
Public Service Department.....	9,664,463	10,115,781	5,503,630	4,612,151
Public Service Board.....	2,757,097	2,757,097	2,639,808	117,289
Enhanced 911 Board.....	2,478,194	3,931,601	3,068,058	863,543
Department of Liquor Control.....	-	6,394	5,247	1,147
<b>Human services</b>				
Agency of Human Services.....	58,877,766	80,131,758	73,283,310	6,848,448
Governor's Commission on Women.....	5,000	20,160	17,141	3,019
Vermont Veteran's Home.....	10,193,494	10,718,494	10,005,277	713,217
<b>Labor</b>				
Department of Labor.....	5,260,489	8,793,746	5,342,898	3,450,848
<b>General education</b>				
Higher Education.....	-	5,000,000	5,000,000	-
Department of Education.....	18,479,923	18,634,614	14,346,603	4,288,011

Continued on next page —>

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**SPECIAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Expenditures:</b>				
<b>Natural resources</b>				
Agency of Natural Resources.....	27,887,102	31,276,289	26,335,609	4,940,680
Natural Resources Board.....	1,689,726	1,689,726	1,668,325	21,401
<b>Commerce and community development</b>				
Agency of Commerce & Community Development....	6,409,441	9,830,894	6,570,589	3,260,305
Cultural Development.....	-	40,000	37,500	2,500
<b>Transportation</b>				
Agency of Transportation.....	-	323,225	126,092	197,133
<b>Public service enterprises</b>				
Public Service Department.....	13,402	2,516,583	2,020,058	496,525
<b>Debt service</b>				
Principal and Interest.....	2,494,835	2,494,835	2,494,835	-
<b>Total expenditures</b> .....	<b>204,428,878</b>	<b>261,419,981</b>	<b>222,382,581</b>	<b>39,037,400</b>
<b>Excess of revenues over expenditures</b> .....	<b>(39,918,763)</b>	<b>(54,125,989)</b>	<b>(16,783,756)</b>	<b>37,342,233</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in.....	48,983,763	54,125,988	54,125,988	-
Transfers out.....	(24,676,352)	(50,366,641)	(50,366,641)	-
<b>Total other financing sources (uses)</b> .....	<b>24,307,411</b>	<b>3,759,347</b>	<b>3,759,347</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b> .....	<b>(15,611,352)</b>	<b>(50,366,642)</b>	<b>(13,024,409)</b>	<b>37,342,233</b>
<b>Fund balance, July 1</b> .....	<b>120,791,091</b>	<b>120,791,091</b>	<b>120,791,091</b>	<b>-</b>
<b>Less:</b>				
Tobacco Trust Fund.....	(30,198,347)	(30,198,347)	(30,198,347)	-
State Healthcare Resources Fund.....	(2,000,000)	(2,000,000)	(2,000,000)	-
<b>Fund balance, July 1 as restated</b> .....	<b>88,592,744</b>	<b>88,592,744</b>	<b>88,592,744</b>	<b>-</b>
<b>Fund balance, June 30</b> .....	<b>\$ 72,981,392</b>	<b>\$ 38,226,102</b>	<b>\$ 75,568,335</b>	<b>\$ 37,342,233</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**FEDERAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Federal.....	\$ 1,068,573,306	\$ 1,127,092,699	\$ 1,040,169,595	\$ (86,923,104)
Interest and premiums.....	-	-	895,064	895,064
Other.....	-	-	1,271,181	1,271,181
<b>Total revenues.....</b>	<b>1,068,573,306</b>	<b>1,127,092,699</b>	<b>1,042,335,840</b>	<b>(84,756,859)</b>
<b>Expenditures:</b>				
<b>General Government</b>				
Agency of Administration.....	835,496	1,922,082	1,844,571	77,511
Executive Office.....	1,990,533	1,990,533	1,205,223	785,310
Treasurer's Office.....	-	392,284	392,284	-
VOSHA Review Board.....	20,269	20,269	20,234	35
<b>Protection to Persons and Property</b>				
Attorney General.....	682,000	682,000	420,381	261,619
Judiciary.....	421,930	421,930	289,910	132,020
State's Attorneys & Sheriffs.....	25,000	25,000	8,703	16,297
Department of Public Safety.....	30,664,441	37,154,700	20,199,458	16,955,242
Military Department.....	13,582,810	17,759,620	16,183,715	1,575,905
Center of Crime Victim Services.....	4,021,120	4,021,120	3,991,278	29,842
Agency of Agriculture, Food & Markets.....	1,371,202	1,501,107	1,344,535	156,572
Secretary of State.....	2,000,000	2,001,596	1,504,408	497,188
Pubic Service Department.....	1,157,800	1,157,800	827,937	329,863
Human Rights Commission.....	170,000	170,000	133,991	36,009
<b>Human Services</b>				
Agency of Human Services.....	832,225,910	839,074,244	814,219,555	24,854,689
Vermont Veteran's Home.....	4,944,749	6,477,441	5,044,827	1,432,614
<b>Labor</b>				
Department of Labor.....	20,701,413	20,868,330	18,349,787	2,518,543
<b>General Education</b>				
Department of Education.....	120,051,275	120,077,083	117,444,011	2,633,072
<b>Natural Resources</b>				
Agency of Natural Resources.....	13,315,451	29,963,144	27,282,117	2,681,027
<b>Commerce and Community Development</b>				
Agency of Commerce & Community Development..	9,655,790	22,325,907	8,636,357	13,689,550
<b>Total expenditures.....</b>	<b>1,057,837,189</b>	<b>1,108,006,190</b>	<b>1,039,343,282</b>	<b>68,662,908</b>
<b>Excess of revenues over expenditures.....</b>	<b>10,736,117</b>	<b>19,086,509</b>	<b>2,992,558</b>	<b>(16,093,951)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in.....	-	4,806,399	4,806,399	-
Transfers out.....	(19,261,543)	(28,530,230)	(28,530,230)	-
<b>Total other financing sources (uses).....</b>	<b>(19,261,543)</b>	<b>(23,723,831)</b>	<b>(23,723,831)</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses.....</b>	<b>(8,525,426)</b>	<b>(4,637,322)</b>	<b>(20,731,273)</b>	<b>(16,093,951)</b>
<b>Fund balance, July 1.....</b>	<b>9,404,793</b>	<b>9,404,793</b>	<b>9,404,793</b>	<b>-</b>
<b>Fund balance, June 30.....</b>	<b>\$ 879,367</b>	<b>\$ 4,767,471</b>	<b>\$ (11,326,480)</b>	<b>\$ (16,093,951)</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
GLOBAL COMMITMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Global Commitment Premiums.....	\$ 792,294,238	\$ 809,595,892	\$ 775,032,566	\$ (34,563,326)
<b>Total revenues.....</b>	<b>792,294,238</b>	<b>809,595,892</b>	<b>775,032,566</b>	<b>(34,563,326)</b>
<b>Expenditures:</b>				
<b>Protection to Persons and Property</b>				
Banking, Insurance, Securities, and Health Care Administration.....	1,716,181	1,028,453	1,019,629	8,824
<b>Human Services</b>				
Agency of Human Services.....	730,820,855	734,671,865	721,082,473	13,589,392
Vermont Veteran's Home.....	913,047	913,047	913,047	-
<b>General Education</b>				
Higher Education.....	4,262,380	4,262,380	4,262,380	-
Department of Education.....	1,041,775	1,041,775	963,046	78,729
<b>Total expenditures.....</b>	<b>738,754,238</b>	<b>741,917,520</b>	<b>728,240,575</b>	<b>13,676,945</b>
<b>Excess of revenues over expenditures.....</b>	<b>53,540,000</b>	<b>67,678,372</b>	<b>46,791,991</b>	<b>(20,886,381)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in.....	-	-	-	-
Transfers out.....	(28,065,633)	(21,318,230)	(21,318,230)	-
<b>Total other financing sources (uses).....</b>	<b>(28,065,633)</b>	<b>(21,318,230)</b>	<b>(21,318,230)</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses.....</b>	<b>25,474,367</b>	<b>46,360,142</b>	<b>25,473,761</b>	<b>(20,886,381)</b>
<b>Fund balance, July 1.....</b>	<b>13,439,750</b>	<b>13,439,750</b>	<b>13,439,750</b>	<b>-</b>
<b>Fund balance, June 30.....</b>	<b>\$ 38,914,117</b>	<b>\$ 59,799,892</b>	<b>\$ 38,913,511</b>	<b>\$ (20,886,381)</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE**  
**STATE HEALTH CARE RESOURCES FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**  
**(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
State Health Care Resources Fund Revenues.....	\$ 139,300,000	\$ 145,000,000	\$ 148,546,501	\$ 3,546,501
<b>Total revenues.....</b>	<b>139,300,000</b>	<b>145,000,000</b>	<b>148,546,501</b>	<b>3,546,501</b>
<b>Expenditures:</b>				
<b>Human services</b>				
Agency of Human Services.....	153,932,688	158,165,530	158,165,529	1
<b>Total expenditures.....</b>	<b>153,932,688</b>	<b>158,165,530</b>	<b>158,165,529</b>	<b>1</b>
<b>Excess of revenues over expenditures.....</b>	<b>(14,632,688)</b>	<b>(13,165,530)</b>	<b>(9,619,028)</b>	<b>3,546,502</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in.....	16,385,624	16,385,624	16,385,624	-
<b>Total other financing sources (uses).....</b>	<b>16,385,624</b>	<b>16,385,624</b>	<b>16,385,624</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses.....</b>	<b>1,752,936</b>	<b>3,220,094</b>	<b>6,766,596</b>	<b>3,546,502</b>
<b>Fund balance, July 1 as restated.....</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>-</b>
<b>Fund balance, June 30.....</b>	<b>\$ 3,752,936</b>	<b>\$ 5,220,094</b>	<b>\$ 8,766,596</b>	<b>\$ 3,546,502</b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
TOBACCO TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Tobacco Trust Funds Revenue.....	\$ 27,316,484	\$ 27,430,758	\$ 28,030,824	\$ 600,066
<b>Total revenues.....</b>	<b><u>27,316,484</u></b>	<b><u>27,430,758</u></b>	<b><u>28,030,824</u></b>	<b><u>600,066</u></b>
<b>Expenditures:</b>				
<b>General government</b>				
Agency of Administration.....	58,000	58,000	58,000	-
<b>Protection to persons and property</b>				
Attorney General.....	290,000	290,000	290,000	-
Judiciary.....	40,000	40,000	40,000	-
Department of Liquor Control.....	289,768	292,391	292,129	262
<b>Human services</b>				
Agency of Human Services.....	25,643,048	25,643,048	25,624,930	18,118
<b>General education</b>				
Department of Education.....	995,668	1,107,319	988,967	118,352
<b>Total expenditures.....</b>	<b><u>27,316,484</u></b>	<b><u>27,430,758</u></b>	<b><u>27,294,026</u></b>	<b><u>136,732</u></b>
<b>Excess of revenues over expenditures.....</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>736,798</u></b>	<b><u>736,798</u></b>
<b>Fund balance, July 1.....</b>	<b><u>30,198,347</u></b>	<b><u>30,198,347</u></b>	<b><u>30,198,347</u></b>	<b><u>-</u></b>
<b>Fund balance, June 30.....</b>	<b><u>\$ 30,198,347</u></b>	<b><u>\$ 30,198,347</u></b>	<b><u>\$ 30,935,145</u></b>	<b><u>\$ 736,798</u></b>

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE  
CATAMOUNT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
<b>Revenues:</b>				
Catamount Fund Revenues.....	\$ -	\$ 13,900,000	\$ 6,548,815	\$ (7,351,185)
<b>Total revenues.....</b>	<b>-</b>	<b>13,900,000</b>	<b>6,548,815</b>	<b>(7,351,185)</b>
<b>Expenditures:</b>				
<b>Human services</b>				
Agency of Human Services.....	-	1,657,678	1,657,678	-
<b>Employment &amp; Training</b>				
Department of Labor.....	-	246,357	246,357	-
<b>Total expenditures.....</b>	<b>-</b>	<b>1,904,035</b>	<b>1,904,035</b>	<b>-</b>
<b>Excess of revenues over expenditures.....</b>	<b>-</b>	<b>11,995,965</b>	<b>4,644,780</b>	<b>(7,351,185)</b>
<b>Fund balance, July 1.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance, June 30.....</b>	<b>\$ -</b>	<b>\$ 11,995,965</b>	<b>\$ 4,644,780</b>	<b>\$ (7,351,185)</b>

The accompanying notes are an integral part of the required supplementary information.

## **Note to the Required Supplementary Information—Budgetary Reporting (unaudited)**

### **Budgetary Funds**

Vermont's annual Appropriation Act, the State's legally adopted budget, does not present budgets using the same fund structure as what is used for reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). The GAAP basis Special Fund is represented in the Appropriation Act as program-level budgets for the Special, State Health Care Resources, Tobacco Trust and Catamount Funds. These funds are present separately in the accompanying schedules.

### **Revenue Estimates**

By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of state revenues in the General, Transportation, Education, Catamount, State Health Care Resources, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special and Federal Revenue Funds, the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of state revenues and the Emergency Board determines any revision to the July revenue estimates.

### **Expenditure and Transfer Budgets**

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act (see Note 1: Budgetary Process). The Secretary of Administration (with approval from the Governor) may transfer balances of appropriations not to exceed \$50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of state government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of state funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

### **Budget and GAAP Basis Reporting**

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budget basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2007.

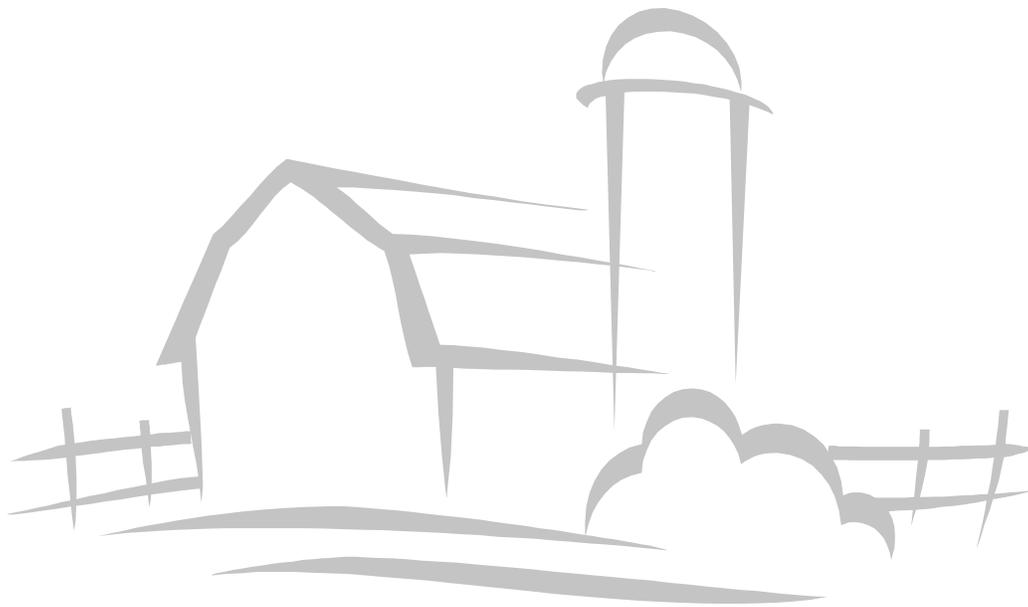
	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>
<b>Fund Balance - Budgetary Basis....</b>	\$ 121,500,500	\$ 14,399,649	\$ 49,334,243	\$ (11,326,480)	\$ 38,913,511
<b><u>Basis differences:</u></b>					
Cash not in budget balances.....	19,407	-	217	-	-
Escrow deposits not included in budget balances.....	-	972,982	-	-	-
Taxes receivable.....	208,156,081	8,070,101	18,027,103	-	-
Other receivables.....	7,929,575	9,675,120	-	(1,203,590)	12,469,441
Interest receivable.....	435,188	-	-	191,948	-
Due from other funds.....	671,438	3,769,497	115,543	53,042	-
Due from federal government.....	-	21,623,056	-	81,431,830	-
Accounts payable.....	(19,963,975)	(20,444,733)	(12,942,911)	(32,422,494)	(69,912,590)
Intergovernment Payables.....	-	-	-	(3,872,956)	-
Accrued liabilities.....	(14,050,580)	(6,410,339)	-	(5,792,941)	(2,437,423)
Retainage payable.....	(168,700)	(1,427,130)	-	(231,022)	(357,045)
Deferred revenue.....	(135,358,492)	(12,458,009)	(5,611,895)	(2,224,713)	(9,649,699)
Tax refunds payable.....	(3,249,417)	-	-	-	-
Due to other funds.....	(2,891,233)	(263,701)	(962,265)	(935,673)	(71,484)
<b><u>Entity differences:</u></b>					
Blended non-budgeted funds.....	-	2,854,319	-	35,527,561	-
<b><u>Perspective differences:</u></b>					
Component unit include in budgeted funds.....	-	-	-	1,773,777	-
<b>Fund Balance - GAAP Basis.....</b>	<u>\$ 163,029,792</u>	<u>\$ 20,360,812</u>	<u>\$ 47,960,035</u>	<u>\$ 60,968,289</u>	<u>\$ (31,045,289)</u>

	<b>Budget Basis Funds</b>				<b>GAAP Basis</b>
	<b>Special Fund</b>	<b>State Health Care Resource Fund</b>	<b>Tobacco Trust Fund</b>	<b>Catamount Fund</b>	<b>Special Fund</b>
<b>Fund Balance - Budgetary Basis....</b>	\$ 75,568,335	\$ 8,766,596	\$ 30,935,145	\$ 4,644,780	\$ -
<b><u>Basis differences:</u></b>					
Cash not in budget balances.....	181,342	-	-	-	-
Taxes receivable.....	1,663,584	2,116,366	-	-	-
Other receivables.....	5,906,419	88,343	-	-	-
Interest receivable.....	53,870	-	-	-	-
Due from other funds.....	1,318,944	-	-	-	-
Due from component units.....	27,226	-	-	-	-
Accounts payable.....	(9,649,783)	(20)	(136,351)	-	-
Accrued liabilities.....	(3,481,430)	-	(31,329)	-	-
Retainage payable.....	(214,570)	-	-	-	-
Deferred revenue.....	(3,946,848)	(1,767,699)	-	-	-
Tax refunds payable.....	(360,595)	(32,330)	-	-	-
Due to other funds.....	(38,546)	-	-	-	-
Due to component units.....	(300,000)	-	-	-	-
<b><u>Entity differences:</u></b>					
Blended non-budgeted funds.....	7,915,408	-	-	-	-
<b><u>Perspective differences:</u></b>					
Component unit include in budgeted funds.....	(3,986,154)	-	-	-	-
Budgeted funds reclassified to GAAP basis major governmental fund.....	(70,657,202)	(9,171,256)	(30,767,465)	(4,644,780)	115,240,703
<b>Fund Balance - GAAP Basis.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$115,240,703</b>



***Supplementary Information***

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*



## ***COMBINING FINANCIAL STATEMENTS***

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**Fish & Wildlife Fund** – This fund is used to account for the activities of the Fish and Wildlife Department. The Fish and Wildlife Department’s mission is to protect and conserve the State’s fish, wildlife, plants and their habitats for the people of Vermont.

**General Bond Fund** – This fund accounts for general capital improvement expenditures funded by the issuance of State capital bonds.

**Transportation Bond Fund** – This fund accounts for transportation capital improvement expenditures funded by the issuance of State capital bonds.

**Higher Education Endowment Fund** – This is a permanent fund whose revenue is used by the University of Vermont and Vermont State Colleges to provide non loan financial assistance to Vermont students attending their institutions and by the Vermont Student Assistance Corporation to provide non loan financial assistance to Vermont students attending a Vermont postsecondary institution.

**Vermont Sanitorium Fund** – This is a permanent fund whose income is to be used for the treatment and cure of respiratory diseases.

**Albert C. Lord Trust Fund** – This is a permanent fund whose income is to be used for demonstrations, lectures and instruction in the care of woodlots and restoration.

**Lumberjack Fund** – This is a permanent fund whose income is to strengthen annual workshops for educators interested in enhancing classroom skills in the area of fish and wildlife management.

**Couching Lion Farm Cemetery Fund** – This is a permanent fund whose income is to provide for the care of a private cemetery in Camel’s Hump State Park.

**Laura H. Morgan Fund**— This is a permanent fund whose income is to be used to benefit the Brandon Training School.

**Carrie P. Underwood Fund** – This is a permanent fund whose income is to be used to provide aid to poor libraries and to otherwise promote the library interests of the state.

**Bennington Battle Monument Fund** – This is a permanent fund whose revenue is to be used to repair and maintain the Bennington Battle Monument.

**Zenus H. Ellis Fund** – This is a permanent fund whose income is to be used to maintain the iron fence and flagpole at the Hubbardton battlefield.

**State of Vermont  
Combining Balance Sheet  
Non-major Governmental Funds  
JUNE 30, 2007**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>	<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
<b>ASSETS:</b>			
Cash and cash equivalents.....	\$ 2,906,003	\$ 31,581,547	\$ -
Investments.....	3,241,774	-	-
Receivables:			
Taxes receivable.....	85,107	-	-
Accrued interest receivable.....	32,743	-	-
Other receivables.....	453,919	-	-
Intergovernmental receivable - federal government.....	540,454	-	-
Due from other funds.....	85,572	571,052	-
Restricted cash.....	-	-	157,560
<b>Total assets.....</b>	<b><u>\$ 7,345,572</u></b>	<b><u>\$ 32,152,599</u></b>	<b><u>\$ 157,560</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ 737,240	\$ 1,650,576	\$ -
Accrued liabilities.....	564,680	-	-
Retainage payable.....	285	102,823	157,560
Due to other funds.....	50,876	149,276	-
Interfund payable.....	-	-	-
Deferred revenue.....	33,124	-	-
<b>Total Liabilities.....</b>	<b><u>1,386,205</u></b>	<b><u>1,902,675</u></b>	<b><u>157,560</u></b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances.....	198,218	3,955,443	-
Endowments.....	-	-	-
Unreserved:			
Designated for specific purposes.....	-	26,294,481	-
Undesignated.....	5,761,149	-	-
<b>Total fund balances.....</b>	<b><u>5,959,367</u></b>	<b><u>30,249,924</u></b>	<b><u>0</u></b>
<b>Total liabilities and fund balances.....</b>	<b><u>\$ 7,345,572</u></b>	<b><u>\$ 32,152,599</u></b>	<b><u>\$ 157,560</u></b>

See Independent Auditor's Report.

**Permanent Funds**

<u>Higher Education Endowment Fund</u>	<u>Vermont Sanitorium Fund</u>	<u>Albert C. Lord Trust Fund</u>	<u>Lumberjack Fund</u>
\$ -	\$ 50,519	\$ 64,983	\$ 14,802
18,269,599	269,840	239,413	11,929
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<b>\$ 18,269,599</b>	<b>\$ 320,359</b>	<b>\$ 304,396</b>	<b>\$ 26,731</b>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
7,556	-	-	-
-	-	-	-
<b>7,556</b>	<b>0</b>	<b>0</b>	<b>0</b>
-	-	-	-
7,000,000	206,502	183,217	9,129
-	-	-	-
11,262,043	113,857	121,179	17,602
<b>18,262,043</b>	<b>320,359</b>	<b>304,396</b>	<b>26,731</b>
<b>\$ 18,269,599</b>	<b>\$ 320,359</b>	<b>\$ 304,396</b>	<b>\$ 26,731</b>

Continued on next page---->

State of Vermont  
Combining Balance Sheet, Continued  
Non-major Governmental Funds  
June 30, 2007

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund	Laura H. Morgan Fund
<b>ASSETS:</b>			
Cash and cash equivalents.....	\$ 19,442	\$ 5,397	\$ 714
Investments.....	2,522	14,518	3,266
Receivables:			
Taxes receivable.....	-	-	-
Accrued interest receivable.....	-	-	-
Other receivables.....	-	-	-
Intergovernmental receivable - federal government.....	-	-	-
Due from other funds.....	-	-	-
Restricted cash.....	-	-	-
<b>Total assets.....</b>	<b>\$ 21,964</b>	<b>\$ 19,915</b>	<b>\$ 3,980</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ -	\$ -	\$ -
Accrued liabilities.....	-	-	-
Retainage payable.....	-	-	-
Due to other funds.....	-	-	-
Interfund payable.....	-	-	-
Deferred revenue.....	-	-	-
<b>Total Liabilities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances.....	-	-	-
Endowments.....	1,930	11,110	2,500
Unreserved:			
Designated for specific purposes.....	-	-	-
Undesignated.....	20,034	8,805	1,480
<b>Total fund balances.....</b>	<b>21,964</b>	<b>19,915</b>	<b>3,980</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 21,964</b>	<b>\$ 19,915</b>	<b>\$ 3,980</b>

<b>Permanent Funds</b>		<b>Total Non-major Governmental Funds</b>
<b>Bennington Battle Monument Fund</b>	<b>Zenus H. Ellis Fund</b>	
\$ -	\$ -	\$ 34,643,407
1,916	1,793	22,056,570
-	-	85,107
-	-	32,743
-	-	453,919
-	-	540,454
-	-	656,624
-	-	157,560
<b>\$ 1,916</b>	<b>\$ 1,793</b>	<b>\$ 58,626,384</b>
\$ -	\$ -	\$ 2,387,816
-	-	564,680
-	-	260,668
-	-	200,152
-	-	7,556
-	-	33,124
<b>0</b>	<b>0</b>	<b>3,453,996</b>
-	-	4,153,661
1,065	1,000	7,416,453
-	-	26,294,481
851	793	17,307,793
<b>1,916</b>	<b>1,793</b>	<b>55,172,388</b>
<b>\$ 1,916</b>	<b>\$ 1,793</b>	<b>\$ 58,626,384</b>

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish &amp; Wildlife Fund</u>	<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
<b>REVENUES:</b>			
Taxes:			
Motor fuel tax.....	\$ 982,008	\$ -	\$ -
Earnings of departments:			
Fees.....	164,344	-	-
Rents and leases.....	50,484	-	-
Federal grants.....	5,486,647	-	-
Fines, forfeits and penalties.....	32,654	-	-
Investment income.....	234,515	-	-
Licenses:			
Business.....	1,375	-	-
Non-business.....	5,905,643	-	-
Special assessments.....	2,631	-	-
Other revenues.....	882,094	-	-
<b>Total revenues.....</b>	<b><u>13,742,395</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>EXPENDITURES:</b>			
General government.....	-	8,918,066	-
Protection to persons and property.....	-	11,141,092	-
Human services.....	-	1,223,944	-
General education.....	-	7,932,218	-
Natural resources.....	13,678,464	6,077,906	-
Commerce and community development.....	-	1,740,779	-
Transportation.....	-	-	542
<b>Total expenditures.....</b>	<b><u>13,678,464</u></b>	<b><u>37,034,005</u></b>	<b><u>542</u></b>
<b>Excess of revenues over (under) expenditures.....</b>	<b><u>63,931</u></b>	<b><u>(37,034,005)</u></b>	<b><u>(542)</u></b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	44,500,000	-
Transfers in.....	422,165	541,347	-
Transfers out.....	-	(4,228,626)	-
<b>Total other financing sources (uses).....</b>	<b><u>422,165</u></b>	<b><u>40,812,721</u></b>	<b><u>0</u></b>
<b>Net change in fund balances.....</b>	<b><u>486,096</u></b>	<b><u>3,778,716</u></b>	<b><u>(542)</u></b>
<b>Fund balances, July 1.....</b>	<b><u>5,473,271</u></b>	<b><u>26,471,208</u></b>	<b><u>542</u></b>
<b>Fund balances, June 30.....</b>	<b><u>\$ 5,959,367</u></b>	<b><u>\$ 30,249,924</u></b>	<b><u>\$ -</u></b>

See Independent Auditor's Report.

**Permanent Funds**

<b>Higher Education Endowment Fund</b>	<b>Vermont Sanitorium Fund</b>	<b>Albert C. Lord Trust Fund</b>	<b>Lumberjack Fund</b>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,895,217	30,108	27,151	1,764
-	-	-	-
-	-	-	-
-	-	-	-
<b>1,895,217</b>	<b>30,108</b>	<b>27,151</b>	<b>1,764</b>
-	-	-	-
-	-	-	-
637,758	10,000	-	-
-	-	-	-
-	-	-	-
<b>637,758</b>	<b>10,000</b>	<b>0</b>	<b>0</b>
<b>1,257,459</b>	<b>20,108</b>	<b>27,151</b>	<b>1,764</b>
-	-	-	-
600,000	-	-	-
-	-	-	-
<b>600,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1,857,459</b>	<b>20,108</b>	<b>27,151</b>	<b>1,764</b>
<b>16,404,584</b>	<b>300,251</b>	<b>277,245</b>	<b>24,967</b>
<b>\$ 18,262,043</b>	<b>\$ 320,359</b>	<b>\$ 304,396</b>	<b>\$ 26,731</b>

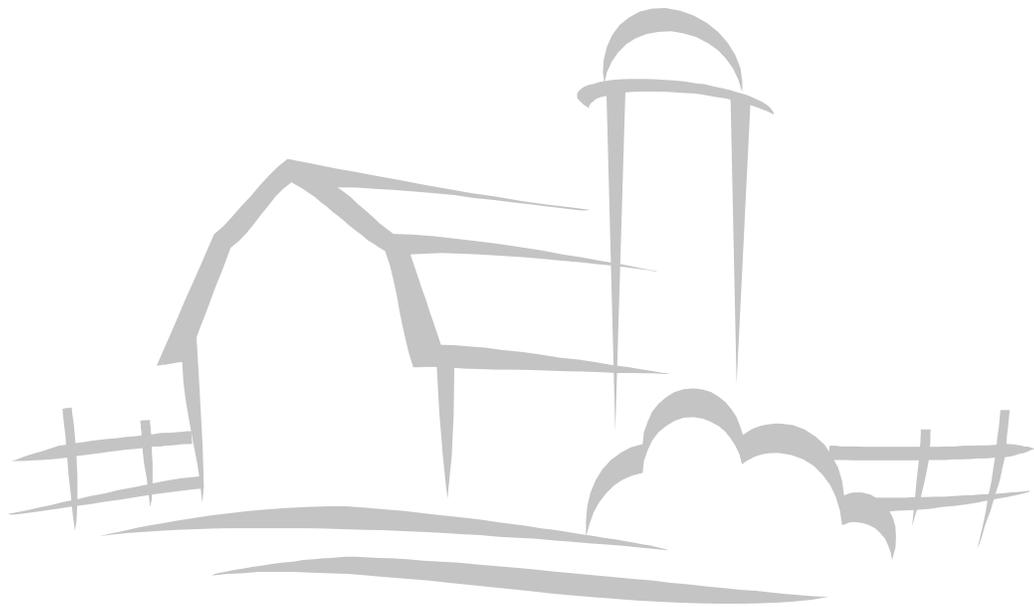
Continued on next page---->

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, Continued**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Permanent Funds</u>		
	<u>Couching Lion Farm Cemetery Fund</u>	<u>Carrie P. Underwood Fund</u>	<u>Laura H. Morgan Fund</u>
<b>REVENUES:</b>			
Taxes:			
Motor fuel tax.....	\$ -	\$ -	\$ -
Earnings of departments:			
Fees.....	-	-	-
Rents and leases.....	-	-	-
Federal grants.....	-	-	-
Fines, forfeits and penalties.....	-	-	-
Investment income.....	954	1,699	364
Licenses:			
Business.....	-	-	-
Non-business.....	-	-	-
Special assessments.....	-	-	-
Other revenues.....	-	-	-
<b>Total revenues.....</b>	<b><u>954</u></b>	<b><u>1,699</u></b>	<b><u>364</u></b>
<b>EXPENDITURES:</b>			
General government.....	-	-	-
Protection to persons and property.....	-	-	-
Human services.....	-	-	-
General education.....	-	-	-
Natural resources.....	-	-	-
Commerce and community development.....	-	-	-
Transportation.....	-	-	-
<b>Total expenditures.....</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Excess of revenues over (under) expenditures.....</b>	<b><u>954</u></b>	<b><u>1,699</u></b>	<b><u>364</u></b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from the sale of bonds.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
<b>Total other financing sources (uses).....</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Net change in fund balances.....</b>	<b>954</b>	<b>1,699</b>	<b>364</b>
<b>Fund balances, July 1 .....</b>	<b><u>21,010</u></b>	<b><u>18,216</u></b>	<b><u>3,616</u></b>
<b>Fund balances, June 30.....</b>	<b><u>\$ 21,964</u></b>	<b><u>\$ 19,915</u></b>	<b><u>\$ 3,980</u></b>

<b>Permanent Funds</b>		
<b>Bennington Battle Monument Fund</b>	<b>Zenus H. Ellis Fund</b>	<b>Total Non-major Governmental Funds</b>
\$ -	\$ -	\$ 982,008
-	-	164,344
-	-	50,484
-	-	5,486,647
-	-	32,654
199	186	2,192,157
-	-	1,375
-	-	5,905,643
-	-	2,631
-	-	882,094
<b>199</b>	<b>186</b>	<b>15,700,037</b>
-	-	8,918,066
-	-	11,141,092
-	-	1,233,944
-	-	8,569,976
-	-	19,756,370
-	-	1,740,779
-	-	542
<b>0</b>	<b>0</b>	<b>51,360,769</b>
<b>199</b>	<b>186</b>	<b>(35,660,732)</b>
-	-	44,500,000
-	-	1,563,512
-	-	(4,228,626)
<b>0</b>	<b>0</b>	<b>41,834,886</b>
<b>199</b>	<b>186</b>	<b>6,174,154</b>
<b>1,717</b>	<b>1,607</b>	<b>48,998,234</b>
<b>\$ 1,916</b>	<b>\$ 1,793</b>	<b>\$ 55,172,388</b>

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**Industrial Homework Office Fund** – This fund is used to account for a program that arranges industrial work for blind and otherwise handicapped citizens at their home of a subcontract nature.

**Federal Surplus Property Fund** – This fund is used to account for a program that acquires and distributes surplus property from various military and federal sources. Public entities (towns, schools, districts, volunteer fire departments, etc) and non-profit organizations conducting educational and health care programs may apply for eligibility.

**Vermont Life Magazine Fund** – This fund is used to account for the activities of the Vermont Life Magazine. *Vermont Life* is a quarterly magazine published by the State of Vermont. It explores and celebrates the state's people, places and rich heritage.

**Municipal Equipment Loan Fund** – This fund is used to account for a program that was created for the purpose of providing loans on favorable terms to municipalities for the purchase of construction, fire, emergency or heavy equipment or vehicles.

**Unemployment Compensation Contingency Fund** – This fund is used to account for the interest, fines and penalties collected under the unemployment compensation law as well as the administrative costs not chargeable to federal grants.

STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 NON-MAJOR ENTERPRISE FUNDS  
 JUNE 30, 2007

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents.....	\$ 59,448	\$ -	\$ -
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles)...	23,510	24,225	226,398
Loans receivable.....	-	-	-
Due from other funds.....	-	-	-
Inventories, at cost.....	-	306,591	92,949
Prepaid expenses.....	-	-	107,299
<b>Total current assets.....</b>	<b>82,958</b>	<b>330,816</b>	<b>426,646</b>
<b>Restricted and Noncurrent Assets:</b>			
Cash - subscription reserve fund.....	-	-	627,827
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	47,848
Imprest cash and change fund - advances.....	1,700	-	1,200
<b>Total restricted &amp; noncurrent assets.....</b>	<b>1,700</b>	<b>0</b>	<b>676,875</b>
<b>Capital Assets:</b>			
Machinery, equipment and buildings.....	-	10,000	11,640
Less accumulated depreciation.....	-	(10,000)	(8,451)
<b>Total capital assets, net of depreciation.....</b>	<b>0</b>	<b>0</b>	<b>3,189</b>
<b>Total assets.....</b>	<b>84,658</b>	<b>330,816</b>	<b>1,106,710</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable.....	-	8,620	148,235
Accrued salaries and benefits.....	8,948	9,083	79,870
Interfund payable.....	-	635,826	567,568
Deferred revenue.....	-	306,591	33,048
<b>Total current liabilities.....</b>	<b>8,948</b>	<b>960,120</b>	<b>828,721</b>
<b>Liabilities Payable From Restricted Assets:</b>			
Unexpired subscriptions.....	-	-	627,827
Advances from other funds.....	1,700	-	1,200
<b>Total liabilities payable from restricted assets.....</b>	<b>1,700</b>	<b>0</b>	<b>629,027</b>
<b>Total liabilities.....</b>	<b>10,648</b>	<b>960,120</b>	<b>1,457,748</b>
<b>NET ASSETS</b>			
Invested in Capital Assets.....	-	-	3,189
Unrestricted.....	74,010	(629,304)	(354,227)
<b>Total Net Assets.....</b>	<b>\$ 74,010</b>	<b>\$ (629,304)</b>	<b>\$ (351,038)</b>

See Independent Auditor's Report.

<b>Municipal Equipment Loan Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ 634,067	\$ 160,915	\$ 854,430
14,675	-	14,675
-	-	274,133
956,425	-	956,425
-	31,432	31,432
-	-	399,540
-	-	107,299
<b>1,605,167</b>	<b>192,347</b>	<b>2,637,934</b>
-	-	627,827
1,279,639	-	1,279,639
-	-	47,848
-	-	2,900
<b>1,279,639</b>	<b>0</b>	<b>1,958,214</b>
-	-	21,640
-	-	(18,451)
<b>0</b>	<b>0</b>	<b>3,189</b>
<b>2,884,806</b>	<b>192,347</b>	<b>4,599,337</b>
-	-	156,855
-	-	97,901
-	-	1,203,394
-	-	339,639
<b>0</b>	<b>0</b>	<b>1,797,789</b>
-	-	627,827
-	-	2,900
<b>0</b>	<b>0</b>	<b>630,727</b>
<b>0</b>	<b>0</b>	<b>2,428,516</b>
-	-	3,189
2,884,806	192,347	2,167,632
<b>\$ 2,884,806</b>	<b>\$ 192,347</b>	<b>\$ 2,170,821</b>

STATE OF VERMONT  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
<b>Operating Revenues</b>			
Charges for sales and services.....	\$ 110,972	\$ 81,992	\$ 1,378,438
Advertising revenue.....	-	-	548,835
Federal donated property.....	-	336,429	-
Other operating revenues.....	-	-	93,240
<b>Total operating revenues.....</b>	<b>110,972</b>	<b>418,421</b>	<b>2,020,513</b>
<b>Operating Expenses</b>			
Cost of sales and services.....	-	337,498	585,383
Salaries and benefits.....	109,023	62,048	745,983
Transportation.....	-	2,784	58,765
Repairs and maintenance.....	-	164	-
Depreciation.....	-	417	1,780
Rental expense.....	-	49,501	-
Utilities and property management.....	-	10,195	-
Non-capital equipment purchased.....	-	900	-
Promotions and advertising.....	-	-	373,331
Administrative expenses.....	-	95,020	171,332
Insurance premium expense.....	-	389	-
Supplies and parts.....	-	955	16,867
Distribution and postage.....	-	-	228,928
Travel.....	-	-	13,212
Loss on bad debts.....	-	-	7,478
Other operating expenses.....	-	-	40,550
<b>Total operating expenses.....</b>	<b>109,023</b>	<b>559,871</b>	<b>2,243,609</b>
<b>Operating income (loss).....</b>	<b>1,949</b>	<b>(141,450)</b>	<b>(223,096)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Investment income.....	-	-	1,560
<b>Total non-operating revenues (expenses).....</b>	<b>0</b>	<b>0</b>	<b>1,560</b>
<b>Income (loss) before transfers.....</b>	<b>1,949</b>	<b>(141,450)</b>	<b>(221,536)</b>
<b>Transfers</b>			
Transfer in.....	-	-	-
Transfer out.....	-	-	-
<b>Total transfers in.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Changes in net assets.....</b>	<b>1,949</b>	<b>(141,450)</b>	<b>(221,536)</b>
<b>Total net assets July 1 .....</b>	<b>72,061</b>	<b>(487,854)</b>	<b>(129,502)</b>
<b>Total net assets June 30.....</b>	<b>\$ 74,010</b>	<b>\$ (629,304)</b>	<b>\$ (351,038)</b>

See Independent Auditor's Report.

<b>Municipal Equipment Loan Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ -	\$ -	\$ 1,571,402
-	-	548,835
-	-	336,429
48,766	-	142,006
<b>48,766</b>	<b>0</b>	<b>2,598,672</b>
-	-	922,881
-	-	917,054
-	-	61,549
-	-	164
-	-	2,197
-	-	49,501
-	-	10,195
-	-	900
-	-	373,331
-	-	266,352
-	-	389
-	-	17,822
-	-	228,928
-	-	13,212
-	-	7,478
-	-	40,550
<b>0</b>	<b>0</b>	<b>2,912,503</b>
<b>48,766</b>	<b>0</b>	<b>(313,831)</b>
18,661	6,110	26,331
<b>18,661</b>	<b>6,110</b>	<b>26,331</b>
<b>67,427</b>	<b>6,110</b>	<b>(287,500)</b>
-	301,726	301,726
-	(312,899)	(312,899)
<b>0</b>	<b>(11,173)</b>	<b>(11,173)</b>
<b>67,427</b>	<b>(5,063)</b>	<b>(298,673)</b>
<b>2,817,379</b>	<b>197,410</b>	<b>2,469,494</b>
<b>\$ 2,884,806</b>	<b>\$ 192,347</b>	<b>\$ 2,170,821</b>

**STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

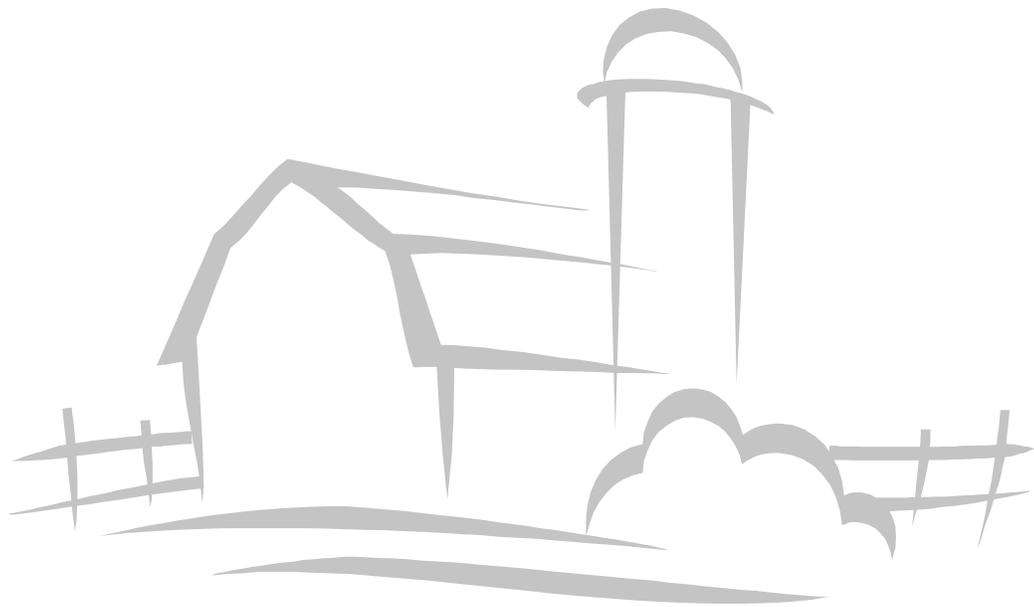
	<b>Industrial Homework Office Fund</b>	<b>Federal Surplus Property Fund</b>	<b>Vermont Life Magazine Fund</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers.....	\$ 109,018	\$ 69,017	\$ 1,945,011
Cash paid to suppliers for goods and services.....	-	(167,749)	(1,521,019)
Cash paid to employees for services.....	(101,723)	(62,127)	(754,799)
Other operating revenues (expenses).....	-	-	93,240
<b>Net cash provided (used) by operating activities.....</b>	<b>7,295</b>	<b>(160,859)</b>	<b>(237,567)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interfund loans.....	-	160,859	221,150
<b>Net cash (used) by noncapital financing activities.....</b>	<b>0</b>	<b>160,859</b>	<b>221,150</b>
<b>Cash Flows from Investing Activities:</b>			
Interest earned on investments.....	-	-	1,560
Interest & penalties received (paid).....	-	-	-
Excess cash transferred.....	-	-	-
<b>Net cash provided (used) by investing activities.....</b>	<b>0</b>	<b>0</b>	<b>1,560</b>
<b>Net increase (Decrease) in cash and cash equivalents.....</b>	<b>7,295</b>	<b>0</b>	<b>(14,857)</b>
<b>Cash and cash equivalents at July 1.....</b>	<b>53,853</b>	<b>-</b>	<b>643,884</b>
<b>Cash and cash equivalents at June 30 (see note below)....</b>	<b>\$ 61,148</b>	<b>\$ 0</b>	<b>\$ 629,027</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss).....	\$ 1,949	\$ (141,450)	\$ (223,096)
<b>Adjustments to reconcile operating income to Net cash provided (used) by operating activities:</b>			
Depreciation.....	-	417	1,780
(Increase) decrease in accounts/taxes receivable.....	(1,977)	(12,975)	38,958
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventories.....	-	(90,955)	56,753
(Increase) decrease in prepaid expenses.....	-	-	52,432
Increase (decrease) in accounts payable.....	-	(6,772)	(141,836)
Increase (decrease) in accrued salaries and benefits.....	7,323	(79)	(8,816)
Increase (decrease) in deferred revenue.....	-	90,955	1,115
Increase (decrease) in subscription reserves.....	-	-	(14,857)
<b>Total adjustments.....</b>	<b>5,346</b>	<b>(19,409)</b>	<b>(14,471)</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ 7,295</b>	<b>\$ (160,859)</b>	<b>\$ (237,567)</b>

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

See Independent Auditor's Report.

<b>Municipal Equipment Loan Fund</b>	<b>Unemployment Compensation Contingency Fund</b>	<b>Total Non-major Enterprise Funds</b>
\$ 1,037,681	\$ -	\$ 3,160,727
(1,325,293)	-	(3,014,061)
-	-	(918,649)
-	-	93,240
<b>(287,612)</b>	<b>0</b>	<b>(678,743)</b>
-	-	382,009
<b>0</b>	<b>0</b>	<b>382,009</b>
18,661	6,110	26,331
-	281,669	281,669
-	(312,899)	(312,899)
<b>18,661</b>	<b>(25,120)</b>	<b>(4,899)</b>
<b>(268,951)</b>	<b>(25,120)</b>	<b>(301,633)</b>
<b>903,018</b>	<b>186,035</b>	<b>1,786,790</b>
<b>\$ 634,067</b>	<b>\$ 160,915</b>	<b>\$ 1,485,157</b>
\$ 48,766	\$ -	\$ (313,831)
-	-	2,197
-	-	24,006
(327,098)	-	(327,098)
(9,280)	-	(9,280)
-	-	0
-	-	(34,202)
-	-	52,432
-	-	(148,608)
-	-	(1,572)
-	-	92,070
-	-	(14,857)
<b>(336,378)</b>	<b>-</b>	<b>(364,912)</b>
<b>\$ (287,612)</b>	<b>\$ -</b>	<b>\$ (678,743)</b>

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**Highway Garage Fund** – This fund accounts for the maintenance and rental of equipment to the Agency of Transportation for use in construction, maintenance and operation of the State’s transportation infrastructure.

**Offender Work Programs** – This fund accounts for the activities of the print shop, sign shop and furniture shop run by the Department of Corrections.

**Single Audit Revolving Fund** – The purpose of this fund is to account for the costs attributable to the Auditor of Accounts Office’s performance of the annual Single Audit .

**Financial & HR Information Fund** – The activities of this fund account for the costs of the support of the State’s financial and human capital management ERP systems.

**Communications & Information Technology** – This fund accounts for the activities of the Department of Information and Innovation’s communications and information technology services.

**GOVNET Fund** – This fund accounts for the activities of the State of Vermont’s wide area network, and K-12Net services.

**Fleet Fund** – This fund accounts for the Department of Buildings and General Services’ vehicle management activities including the daily and long-term leasing of vehicles for employees use in travel on State business.

**E-Procurement Fund** - The purpose of the Purchasing Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions and high-volume, repetitive purchases.

**Copy Center Fund** – This fund’s activities include the Department of Buildings and General Services Print Shop and copier leasing services.

**Postage Fund** – This fund accounts for the mail services for the Montpelier and Waterbury state complexes including mail collection and delivery, sorting, and applying postage.

**Facilities Operations Fund** – This fund’s purpose is to provide operating expenses, maintenance, renovations and acquisitions of buildings, grounds and support facilities.

**Property Management Fund** – This fund’s purpose is to provide State Agencies with safe, comfortable, and efficient space through leasing; purchasing; and planning which enables them to carry out their mission.

**Equipment Revolving Fund** – This fund is used as an internal lease purchase mechanism of equipment for State agencies and departments.

**State Resource Management Fund** – This fund accounts for the costs of energy resource conservation measures implemented by departments anticipated to generate a life cycle cost benefit to the state.

**State Surplus Property Fund** – This fund accounts for the sale of all items that are no longer needed by the State’s agencies and departments.

**State Liability Insurance Fund** – This fund provides liability insurance coverage for the actions performed by the State’s employees in the course of performing their assigned duties.

**Risk Management-All Other Fund** – This fund is used to purchase insurance protection for state property and other miscellaneous risks that are specific to certain departments or types of employees, such as judicial liability, liability related to maintenance of railroad tracks, and required bonds for certain state officials.

**Workers’ Compensation Fund** – This fund provides workers’ compensation coverage for all state employees.

**Medical Insurance Fund** – This fund provides health coverage for current state employees, retirees, legislators and other groups eligible to participate.

**Dental Insurance Fund** – This fund provides dental coverage for current state employees, legislators and other groups eligible to participate.

**Life Insurance Fund** – This fund provides a life insurance policy for current state employees, retirees and other groups eligible to participate.

**Long-term Disability Fund** – This fund provides an income replacement benefit for state employees that are not eligible to be represented by the employees’ union should they have a long term or permanent disability.

**Employees’ Assistance Fund** – This fund provides a program that assists state employees and members of their immediate household assistance in addressing problems that impact their lives.

STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2007

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ -	\$ -	\$ 55,891
Accounts receivable.....	9,448	227,150	143,035
Interest receivable.....	-	-	-
Due from other funds.....	-	-	-
Inventories, at cost.....	1,457,741	643,738	-
Prepaid expenses.....	6,965	-	-
<b>Total current assets.....</b>	<b>1,474,154</b>	<b>870,888</b>	<b>198,926</b>
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	15,100	-
<b>Total restricted and other assets.....</b>	<b>0</b>	<b>15,100</b>	<b>0</b>
Capital Assets:			
Land.....	26,156	-	-
Construction in progress.....	1,581,006	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	45,663,836	1,446,050	-
Less accumulated depreciation.....	(24,168,150)	(870,056)	-
<b>Total capital assets, net of depreciation.....</b>	<b>23,102,848</b>	<b>575,994</b>	<b>0</b>
<b>Total assets.....</b>	<b>24,577,002</b>	<b>1,461,982</b>	<b>198,926</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable.....	868,756	95,425	160,677
Accrued salaries and benefits.....	251,379	172,305	-
Claims payable.....	-	-	-
Due to other funds.....	-	-	145,733
Interfund payable.....	1,780,183	146,458	-
Deferred revenue.....	-	8,213	-
<b>Total current liabilities.....</b>	<b>2,900,318</b>	<b>422,401</b>	<b>306,410</b>
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	15,100	-
<b>Total liabilities.....</b>	<b>2,900,318</b>	<b>437,501</b>	<b>306,410</b>
<b>NET ASSETS</b>			
Invested in capital assets.....	23,102,848	575,994	-
Unrestricted (deficit).....	(1,426,164)	448,487	(107,484)
<b>Total net assets.....</b>	<b>\$ 21,676,684</b>	<b>\$ 1,024,481</b>	<b>\$ (107,484)</b>

See Independent Auditor's Report.

<b>Financial &amp; HR Information Fund</b>	<b>Communcations &amp; Information Technology</b>	<b>GOVNET Fund</b>	<b>Fleet Fund</b>	<b>E-Procurement Fund</b>
\$ 967,922	\$ -	\$ -	\$ -	\$ -
20,121	1,249,327	110,336	629,830	667,285
-	-	-	-	-
-	-	-	-	15,956
-	-	-	-	-
-	303,561	-	-	-
<b>988,043</b>	<b>1,552,888</b>	<b>110,336</b>	<b>629,830</b>	<b>683,241</b>
-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
-	-	-	-	-
-	-	-	-	-
31,140	2,924,311	1,089,351	8,764,210	-
(1,298)	(1,418,981)	(690,636)	(3,745,931)	-
<b>29,842</b>	<b>1,505,330</b>	<b>398,715</b>	<b>5,018,279</b>	<b>0</b>
<b>1,017,885</b>	<b>3,058,218</b>	<b>509,051</b>	<b>5,648,109</b>	<b>683,241</b>
44,450	757,830	139,984	83,594	372,278
479,302	369,356	60,855	30,517	-
-	-	-	-	-
-	-	-	-	-
-	1,000,182	909,356	5,594,921	310,963
-	84,923	-	-	-
<b>523,752</b>	<b>2,212,291</b>	<b>1,110,195</b>	<b>5,709,032</b>	<b>683,241</b>
-	-	-	-	-
<b>523,752</b>	<b>2,212,291</b>	<b>1,110,195</b>	<b>5,709,032</b>	<b>683,241</b>
29,842	1,505,330	398,715	5,018,279	-
464,291	(659,403)	(999,859)	(5,079,202)	-
<b>\$ 494,133</b>	<b>\$ 845,927</b>	<b>\$ (601,144)</b>	<b>\$ (60,923)</b>	<b>\$ -</b>

Continued on next page---->

**STATE OF VERMONT**  
**COMBINING STATEMENT OF NET ASSETS, Continued**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2007**

	<u>Copy Center Fund</u>	<u>Postage Fund</u>	<u>Facilities Operations Fund</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ -	\$ -	\$ -
Accounts receivable.....	669,213	375,123	2,592,733
Interest receivable.....	-	-	-
Due from other funds.....	-	-	-
Inventories, at cost.....	-	752,347	-
Prepaid expenses.....	883	11,254	-
<b>Total current assets.....</b>	<b>670,096</b>	<b>1,138,724</b>	<b>2,592,733</b>
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	-	-
<b>Total restricted and other assets.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Assets:			
Land.....	-	-	-
Construction in progress.....	-	-	347,676
Capital assets being depreciated:			
Machinery, equipment and buildings.....	3,623,442	495,541	1,036,907
Less accumulated depreciation.....	(2,454,478)	(465,078)	(819,667)
<b>Total capital assets, net of depreciation.....</b>	<b>1,168,964</b>	<b>30,463</b>	<b>564,916</b>
<b>Total assets.....</b>	<b>1,839,060</b>	<b>1,169,187</b>	<b>3,157,649</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable.....	60,452	19,965	2,052,638
Accrued salaries and benefits.....	61,049	61,318	1,352,429
Claims payable.....	-	-	-
Due to other funds.....	-	-	20,852
Interfund payable.....	3,729,341	2,195,464	1,437,837
Deferred revenue.....	-	-	-
<b>Total current liabilities.....</b>	<b>3,850,842</b>	<b>2,276,747</b>	<b>4,863,756</b>
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	-	-
<b>Total liabilities.....</b>	<b>3,850,842</b>	<b>2,276,747</b>	<b>4,863,756</b>
<b>NET ASSETS</b>			
Invested in capital assets.....	1,168,964	30,463	564,916
Unrestricted (deficit).....	(3,180,746)	(1,138,023)	(2,271,023)
<b>Total net assets.....</b>	<b>\$ (2,011,782)</b>	<b>\$ (1,107,560)</b>	<b>\$ (1,706,107)</b>

<b>Property Management Fund</b>	<b>Equipment Revolving Fund</b>	<b>State Resource Management Fund</b>	<b>State Surplus Property Fund</b>	<b>State Liability Insurance Fund</b>
\$ -	\$ -	\$ -	\$ 67,295	\$ 11,265,738
1,151,324	2,809,396	169,164	20,273	53,504
-	-	-	-	-
4,896	-	-	-	-
-	-	-	2,530	-
641,946	-	-	-	-
<b>1,798,166</b>	<b>2,809,396</b>	<b>169,164</b>	<b>90,098</b>	<b>11,319,242</b>
-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
-	-	-	-	-
-	-	-	-	-
32,136	-	-	-	-
(28,885)	-	-	-	-
<b>3,251</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1,801,417</b>	<b>2,809,396</b>	<b>169,164</b>	<b>90,098</b>	<b>11,319,242</b>
140,939	13,389	-	18,880	6,037
169,912	-	-	7,451	-
-	-	-	-	4,752,746
-	-	842	-	20,910
14,086,944	2,796,007	168,322	-	-
-	-	-	2,530	-
<b>14,397,795</b>	<b>2,809,396</b>	<b>169,164</b>	<b>28,861</b>	<b>4,779,693</b>
-	-	-	-	-
<b>14,397,795</b>	<b>2,809,396</b>	<b>169,164</b>	<b>28,861</b>	<b>4,779,693</b>
3,251	-	-	-	-
(12,599,629)	-	-	61,237	6,539,549
<b>\$ (12,596,378)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 61,237</b>	<b>\$ 6,539,549</b>

Continued on next page---->

STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS, Continued  
 INTERNAL SERVICE FUNDS  
 June 30, 2007

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ -	\$ 15,257,429	\$ 14,364,071	\$ 1,331,547
Accounts receivable.....	374,860	2,306	3,429,537	226,332
Interest receivable.....	-	85,776	-	-
Due from other funds.....	-	27,049	-	-
Inventories, at cost.....	-	-	-	-
Prepaid expenses.....	-	-	-	-
<b>Total current assets.....</b>	<b>374,860</b>	<b>15,372,560</b>	<b>17,793,608</b>	<b>1,557,879</b>
Restricted and Other Assets:				
Imprest fund-advances from state treasurer.....	-	-	-	-
<b>Total restricted and other assets.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Assets:				
Land.....	-	-	-	-
Construction in progress.....	-	-	-	-
Capital assets being depreciated:				
Machinery, equipment and buildings.....	-	-	-	-
Less accumulated depreciation.....	-	-	-	-
<b>Total capital assets, net of depreciation.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets.....</b>	<b>374,860</b>	<b>15,372,560</b>	<b>17,793,608</b>	<b>1,557,879</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable.....	225	61,817	526,347	29,229
Accrued salaries and benefits.....	-	132,673	90,923	2,043
Claims payable.....	-	18,191,561	10,489,226	275,757
Due to other funds.....	6,139	-	-	-
Interfund payable.....	756,693	-	-	-
Deferred revenue.....	-	-	-	-
<b>Total current liabilities.....</b>	<b>763,057</b>	<b>18,386,051</b>	<b>11,106,496</b>	<b>307,029</b>
Liabilities Payable from Restricted Assets:				
Advances from other funds.....	-	-	-	-
<b>Total liabilities.....</b>	<b>763,057</b>	<b>18,386,051</b>	<b>11,106,496</b>	<b>307,029</b>
<b>NET ASSETS</b>				
Invested in capital assets.....	-	-	-	-
Unrestricted (deficit).....	(388,197)	(3,013,491)	6,687,112	1,250,850
<b>Total net assets.....</b>	<b>\$ (388,197)</b>	<b>\$ (3,013,491)</b>	<b>\$ 6,687,112</b>	<b>\$ 1,250,850</b>

<b>Life Insurance Fund</b>	<b>Long-Term Disability Fund</b>	<b>Employees' Assistance Fund</b>	<b>Total Internal Service Funds</b>
\$ 239,658	\$ 33,443	\$ 69,824	\$ 43,652,818
61,691	8,008	9,730	15,009,726
-	-	-	85,776
-	-	-	47,901
-	-	-	2,856,356
-	-	-	964,609
<b>301,349</b>	<b>41,451</b>	<b>79,554</b>	<b>62,617,186</b>
-	-	-	15,100
<b>0</b>	<b>0</b>	<b>0</b>	<b>15,100</b>
-	-	-	26,156
-	-	-	1,928,682
-	-	-	65,106,924
-	-	-	(34,663,160)
<b>0</b>	<b>0</b>	<b>0</b>	<b>32,398,602</b>
<b>301,349</b>	<b>41,451</b>	<b>79,554</b>	<b>95,030,888</b>
107,014	15,628	62,856	5,638,410
817	-	-	3,242,329
-	-	-	33,709,290
-	-	-	194,476
-	-	-	34,912,671
-	-	-	95,666
<b>107,831</b>	<b>15,628</b>	<b>62,856</b>	<b>77,792,842</b>
-	-	-	15,100
<b>107,831</b>	<b>15,628</b>	<b>62,856</b>	<b>77,807,942</b>
-	-	-	32,398,602
193,518	25,823	16,698	(15,175,656)
<b>\$ 193,518</b>	<b>\$ 25,823</b>	<b>\$ 16,698</b>	<b>\$ 17,222,946</b>

**STATE OF VERMONT  
COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
<b>Operating Revenues:</b>			
Charges for sales and services.....	\$ 11,969,902	\$ 2,450,447	\$ 1,914,917
Rental income.....	293,982	-	-
Other operating revenues.....	9,032	-	-
<b>Total operating revenues.....</b>	<b>12,272,916</b>	<b>2,450,447</b>	<b>1,914,917</b>
<b>Operating Expenses:</b>			
Cost of sales and services.....	-	-	-
Claims expense.....	-	-	-
Salaries and benefits.....	3,309,166	1,225,625	744,004
Insurance premium expense.....	446,372	-	1,319
Contractual services.....	4,165	46,049	1,200,347
Repairs and maintenance.....	679,109	59,422	-
Depreciation.....	4,376,240	67,683	-
Rental expense.....	269,943	184,733	17,839
Utilities and property management.....	130,903	84,898	24,938
Non-capital equipment purchased.....	127,749	71,752	12,574
Administrative expenses.....	13,789	130,248	8,675
Supplies and parts.....	4,257,816	780,503	11,099
Travel expenses.....	3,863	17,284	7,811
Other operating expenses.....	-	-	-
<b>Total operating expenses.....</b>	<b>13,619,115</b>	<b>2,668,197</b>	<b>2,028,606</b>
<b>Operating Income(Loss).....</b>	<b>(1,346,199)</b>	<b>(217,750)</b>	<b>(113,689)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Gain (loss) on disposal of capital assets.....	206,025	4,258	-
Investment income (expense).....	-	-	-
<b>Total non-operating revenues (expenses).....</b>	<b>206,025</b>	<b>4,258</b>	<b>0</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>(1,140,174)</b>	<b>(213,492)</b>	<b>(113,689)</b>
Capital contributions from (to) other funds.....	-	-	-
Transfers in.....	908,431	-	-
Transfers out.....	-	-	-
<b>Change in net assets.....</b>	<b>(231,743)</b>	<b>(213,492)</b>	<b>(113,689)</b>
<b>Total Net Assets - July 1.....</b>	<b>21,908,427</b>	<b>1,237,973</b>	<b>6,205</b>
<b>Total Net Assets - June 30.....</b>	<b>\$ 21,676,684</b>	<b>\$ 1,024,481</b>	<b>\$ (107,484)</b>

See Independent Auditor's Report.

<b>Financial &amp; HR Information Fund</b>	<b>Communcations &amp; Information Technology</b>	<b>GOVNET Fund</b>	<b>Fleet Fund</b>	<b>E-Procurement Fund</b>
\$ 4,279,566	\$ 12,325,251	\$ 2,164,214	\$ 2,991,181	\$ 4,161,047
-	-	-	-	-
-	337,897	-	-	-
<b>4,279,566</b>	<b>12,663,148</b>	<b>2,164,214</b>	<b>2,991,181</b>	<b>4,161,047</b>
-	4,524,757	1,148,885	52	4,150,711
-	-	-	-	-
2,720,801	3,431,665	492,076	380,761	-
7,210	8,811	2,125	186,314	-
195,103	524,841	21,270	11,161	-
125,619	658,677	191,097	297,840	-
1,298	395,080	180,574	1,056,906	-
137,633	494,449	36,060	17,618	-
240,388	175,232	7,023	24,993	-
883,434	599,791	155,039	1,857	-
31,471	74,656	-	89,986	-
13,183	135,891	2,979	846,460	-
7,818	15,434	239	279	-
-	210,000	8,168	-	-
<b>4,363,958</b>	<b>11,249,284</b>	<b>2,245,535</b>	<b>2,914,227</b>	<b>4,150,711</b>
<b>(84,392)</b>	<b>1,413,864</b>	<b>(81,321)</b>	<b>76,954</b>	<b>10,336</b>
-	-	-	7,085	-
-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>7,085</b>	<b>0</b>
<b>(84,392)</b>	<b>1,413,864</b>	<b>(81,321)</b>	<b>84,039</b>	<b>10,336</b>
-	-	-	(14,612)	-
47,896	-	-	-	-
-	-	-	-	-
<b>(36,496)</b>	<b>1,413,864</b>	<b>(81,321)</b>	<b>69,427</b>	<b>10,336</b>
<b>530,629</b>	<b>(567,937)</b>	<b>(519,823)</b>	<b>(130,350)</b>	<b>(10,336)</b>
<b>\$ 494,133</b>	<b>\$ 845,927</b>	<b>\$ (601,144)</b>	<b>\$ (60,923)</b>	<b>\$ 0</b>

Continued on next page---->

**STATE OF VERMONT**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENSES AND CHANGES IN NET ASSETS, Continued**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>Copy Center Fund</b>	<b>Postage Fund</b>	<b>Facilities Operations Fund</b>
<b>Operating Revenues:</b>			
Charges for sales and services.....	\$ 2,468,351	\$ 3,058,075	\$ 21,327,749
Rental income.....	-	-	-
Other operating revenues.....	-	-	3,737,892
<b>Total operating revenues.....</b>	<b>2,468,351</b>	<b>3,058,075</b>	<b>25,065,641</b>
<b>Operating Expenses:</b>			
Cost of sales and services.....	252,493	2,339,990	21,007
Claims expense.....	-	-	-
Salaries and benefits.....	645,083	564,397	11,253,729
Insurance premium expense.....	6,220	5,943	525,768
Contractual services.....	5,901	30	143,620
Repairs and maintenance.....	301,878	125,401	2,804,349
Depreciation.....	922,525	14,953	83,185
Rental expense.....	377,338	58,243	3,655,967
Utilities and property management.....	23,708	23,839	8,946,014
Non-capital equipment purchased.....	93,977	(19,433)	320,874
Administrative expenses.....	130,611	163,990	1,047,949
Supplies and parts.....	3,683	11,672	1,874,168
Travel expenses.....	3,068	-	184,406
Other operating expenses.....	-	-	-
<b>Total operating expenses.....</b>	<b>2,766,485</b>	<b>3,289,025</b>	<b>30,861,036</b>
<b>Operating Income(Loss).....</b>	<b>(298,134)</b>	<b>(230,950)</b>	<b>(5,795,395)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Gain (loss) on disposal of capital assets.....	(84,251)	-	(8,523)
Investment income (expense).....	-	-	-
<b>Total non-operating revenues (expenses).....</b>	<b>(84,251)</b>	<b>0</b>	<b>(8,523)</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>(382,385)</b>	<b>(230,950)</b>	<b>(5,803,918)</b>
Capital contributions from (to) other funds.....	-	-	77
Transfers in.....	-	-	5,009,542
Transfers out.....	-	-	(250,000)
<b>Change in net assets.....</b>	<b>(382,385)</b>	<b>(230,950)</b>	<b>(1,044,299)</b>
<b>Total Net Assets - July 1.....</b>	<b>(1,629,397)</b>	<b>(876,610)</b>	<b>(661,808)</b>
<b>Total Net Assets - June 30.....</b>	<b>\$ (2,011,782)</b>	<b>\$ (1,107,560)</b>	<b>\$ (1,706,107)</b>

<b>Property Management Fund</b>	<b>Equipment Revolving Fund</b>	<b>State Resource Management Fund</b>	<b>State Surplus Property Fund</b>	<b>State Liability Insurance Fund</b>
\$ -	\$ 2,257,245	\$ 165,682	\$ 1,143,791	\$ 3,655,382
11,425,278	-	-	-	-
6,860	-	-	111,834	-
<b>11,432,138</b>	<b>2,257,245</b>	<b>165,682</b>	<b>1,255,625</b>	<b>3,655,382</b>
8,436,803	-	-	1,122,765	502,769
-	-	-	-	(162,879)
1,324,298	-	-	59,328	223,905
53,202	-	-	389	1,555
30,353	-	-	23,638	598,967
91,836	-	4,312	874	114
1,753	-	-	46	-
17,493	113,945	-	28,026	11,060
1,147,531	-	-	10,633	10,315
5,107	2,136,565	160,511	-	2,092
280,015	6,735	859	53,695	56,361
98,215	-	-	2,765	1,755
23,536	-	-	-	335
-	-	-	-	-
<b>11,510,142</b>	<b>2,257,245</b>	<b>165,682</b>	<b>1,302,159</b>	<b>1,246,349</b>
<b>(78,004)</b>	<b>0</b>	<b>0</b>	<b>(46,534)</b>	<b>2,409,033</b>
(683)	-	-	(4,308)	-
-	-	-	-	354,919
<b>(683)</b>	<b>0</b>	<b>0</b>	<b>(4,308)</b>	<b>354,919</b>
<b>(78,687)</b>	<b>0</b>	<b>0</b>	<b>(50,842)</b>	<b>2,763,952</b>
(77)	-	-	-	-
-	-	-	-	-
(2,494,835)	-	-	-	-
<b>(2,573,599)</b>	<b>0</b>	<b>0</b>	<b>(50,842)</b>	<b>2,763,952</b>
<b>(10,022,779)</b>	<b>0</b>	<b>0</b>	<b>112,079</b>	<b>3,775,597</b>
<b>\$ (12,596,378)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 61,237</b>	<b>\$ 6,539,549</b>

Continued on next page---->

STATE OF VERMONT  
 COMBINING STATEMENT OF REVENUES,  
 EXPENSES AND CHANGES IN NET ASSETS, Continued  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
<b>Operating Revenues:</b>				
Charges for sales and services.....	\$ 2,627,031	\$ 8,282,871	\$ 94,828,655	\$ 5,810,524
Rental income.....	-	-	-	-
Other operating revenues.....	-	-	36,424	100
<b>Total operating revenues.....</b>	<b>2,627,031</b>	<b>8,282,871</b>	<b>94,865,079</b>	<b>5,810,624</b>
<b>Operating Expenses:</b>				
Cost of sales and services.....	2,383,509	-	-	-
Claims expense.....	-	6,716,086	90,495,260	5,013,548
Salaries and benefits.....	76,527	1,027,748	969,809	27,109
Insurance premium expense.....	389	5,832	2,436,821	41
Contractual services.....	197	316,200	285,869	22
Repairs and maintenance.....	28	426	701	8
Depreciation.....	-	-	-	-
Rental expense.....	2,787	41,828	38,741	695
Utilities and property management.....	3,500	36,049	33,065	969
Non-capital equipment purchased.....	254	9,176	38,209	4
Administrative expenses.....	27,841	344,606	5,068,467	316,863
Supplies and parts.....	441	6,837	85,139	77
Travel expenses.....	82	2,415	22,834	12
Other operating expenses.....	-	-	-	-
<b>Total operating expenses.....</b>	<b>2,495,555</b>	<b>8,507,203</b>	<b>99,474,915</b>	<b>5,359,348</b>
<b>Operating Income(Loss).....</b>	<b>131,476</b>	<b>(224,332)</b>	<b>(4,609,836)</b>	<b>451,276</b>
<b>Non-Operating Revenues (Expenses):</b>				
Gain (loss) on disposal of capital assets.....	-	-	-	-
Investment income (expense).....	-	644,439	700,677	42,253
<b>Total non-operating revenues (expenses).....</b>	<b>0</b>	<b>644,439</b>	<b>700,677</b>	<b>42,253</b>
<b>Income (loss) before contributions and transfers.....</b>	<b>131,476</b>	<b>420,107</b>	<b>(3,909,159)</b>	<b>493,529</b>
Capital contributions from (to) other funds.....	-	-	-	-
Transfers in.....	-	-	-	-
Transfers out.....	(58,431)	-	-	-
<b>Change in net assets.....</b>	<b>73,045</b>	<b>420,107</b>	<b>(3,909,159)</b>	<b>493,529</b>
<b>Total Net Assets - July 1.....</b>	<b>(461,242)</b>	<b>(3,433,598)</b>	<b>10,596,271</b>	<b>757,321</b>
<b>Total Net Assets - June 30.....</b>	<b>\$ (388,197)</b>	<b>\$ (3,013,491)</b>	<b>\$ 6,687,112</b>	<b>\$ 1,250,850</b>

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
\$ 1,616,410	\$ 205,106	\$ 248,603	\$ 189,952,000
-	-	-	11,719,260
-	-	-	4,240,039
<b>1,616,410</b>	<b>205,106</b>	<b>248,603</b>	<b>205,911,299</b>
-	-	-	24,883,741
-	-	-	102,062,015
10,946	-	-	28,486,977
2,017,350	188,000	246,896	6,140,557
9	-	-	3,407,742
3	-	-	5,341,694
-	-	-	7,100,243
278	-	-	5,504,676
388	-	-	10,924,386
2	-	-	4,599,534
525	-	-	7,847,342
31	-	-	8,132,714
5	-	-	289,421
-	-	-	218,168
<b>2,029,537</b>	<b>188,000</b>	<b>246,896</b>	<b>214,939,210</b>
<b>(413,127)</b>	<b>17,106</b>	<b>1,707</b>	<b>(9,027,911)</b>
-	-	-	119,603
25,262	-	-	1,767,550
<b>25,262</b>	<b>0</b>	<b>0</b>	<b>1,887,153</b>
<b>(387,865)</b>	<b>17,106</b>	<b>1,707</b>	<b>(7,140,758)</b>
-	-	-	(14,612)
-	-	-	5,965,869
-	-	-	(2,803,266)
<b>(387,865)</b>	<b>17,106</b>	<b>1,707</b>	<b>(3,992,767)</b>
<b>581,383</b>	<b>8,717</b>	<b>14,991</b>	<b>21,215,713</b>
<b>\$ 193,518</b>	<b>\$ 25,823</b>	<b>\$ 16,698</b>	<b>\$ 17,222,946</b>

STATE OF VERMONT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers.....	\$ 12,265,843	\$ 2,443,585	\$ 1,892,249
Cash paid to suppliers for goods and services.....	(5,567,698)	(1,363,343)	(1,058,544)
Cash paid to employees for services.....	(3,291,247)	(1,210,569)	(744,004)
Cash paid to claimants.....	-	-	-
Other operating revenues.....	9,032	-	-
Other operating expenses.....	-	-	-
<b>Net cash provided (used) by operating activities.....</b>	<b>3,415,930</b>	<b>(130,327)</b>	<b>89,701</b>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Operating transfers.....	908,431	-	-
Interfund loans.....	27,986	146,458	(33,810)
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>936,417</b>	<b>146,458</b>	<b>(33,810)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets.....	(4,809,492)	(68,427)	-
Proceeds from sale of capital assets.....	457,145	19,500	-
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b>(4,352,347)</b>	<b>(48,927)</b>	<b>0</b>
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends on investments.....	-	-	-
<b>Net cash provided by investing activities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>0</b>	<b>(32,796)</b>	<b>55,891</b>
Cash and cash equivalents at July 1.....	0	47,896	0
<b>Cash and cash equivalents at June 30.....</b>	<b>\$ 0</b>	<b>\$ 15,100</b>	<b>\$ 55,891</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss).....	\$ (1,346,199)	\$ (217,750)	\$ (113,689)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation.....	4,376,240	67,683	-
(Increase)decrease in accounts receivable.....	1,959	(6,862)	(22,668)
(Increase)decrease in due from other funds.....	-	-	-
(Increase)decrease in inventory.....	(186,601)	(4,663)	-
(Increase)decrease in prepaid expenses.....	2,190	-	-
Increase(decrease) in accounts payable.....	550,422	16,209	80,325
Increase(decrease) in accrued salaries and benefits.....	17,919	15,056	-
Increase(decrease) in claims payable.....	-	-	-
Increase(decrease) in due to other funds.....	-	-	145,733
Increase(decrease) in deferred revenue.....	-	-	-
<b>Total adjustments.....</b>	<b>4,762,129</b>	<b>87,423</b>	<b>203,390</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ 3,415,930</b>	<b>\$ (130,327)</b>	<b>\$ 89,701</b>

See Independent Auditor's Report.

<b>Financial &amp; HR Information Fund</b>	<b>Communcations &amp; Information Technology</b>	<b>GOVNET Fund</b>	<b>Fleet Fund</b>	<b>E-Procurement Fund</b>
\$ 4,259,445	\$ 12,480,416	\$ 2,325,560	\$ 2,675,890	\$ 3,858,374
(1,643,864)	(6,593,115)	(1,465,234)	(1,460,616)	(3,995,962)
(2,637,563)	(3,379,245)	(497,285)	(378,700)	-
-	-	-	-	-
-	337,897	-	-	-
-	(210,000)	(8,168)	-	-
<b>(21,982)</b>	<b>2,635,953</b>	<b>354,873</b>	<b>836,574</b>	<b>(137,588)</b>
47,896	-	-	-	-
-	(1,654,742)	(317,806)	1,278,965	137,588
<b>47,896</b>	<b>(1,654,742)</b>	<b>(317,806)</b>	<b>1,278,965</b>	<b>137,588</b>
(31,140)	(981,211)	(37,067)	(2,292,761)	-
-	-	-	177,222	-
<b>(31,140)</b>	<b>(981,211)</b>	<b>(37,067)</b>	<b>(2,115,539)</b>	<b>0</b>
-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
(5,226)	0	0	0	0
973,148	0	0	0	0
<b>\$ 967,922</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
\$ (84,392)	\$ 1,413,864	\$ (81,321)	\$ 76,954	\$ 10,336
1,298	395,080	180,574	1,056,906	-
(20,121)	155,165	161,346	(315,291)	(286,717)
-	-	-	-	(15,956)
-	97,499	-	-	-
-	19,882	-	-	-
(2,005)	417,120	99,483	15,944	154,749
83,238	52,420	(5,209)	2,061	-
-	-	-	-	-
-	-	-	-	-
-	84,923	-	-	-
<b>62,410</b>	<b>1,222,089</b>	<b>436,194</b>	<b>759,620</b>	<b>(147,924)</b>
<b>\$ (21,982)</b>	<b>\$ 2,635,953</b>	<b>\$ 354,873</b>	<b>\$ 836,574</b>	<b>\$ (137,588)</b>

Continued on next page---->

STATE OF VERMONT  
 COMBINING STATEMENT OF CASH FLOWS, Continued  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Copy Center Fund	Postage Fund	Facilities Operations Fund
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers.....	\$ 2,859,935	\$ 2,997,908	\$ 21,302,202
Cash paid to suppliers for goods and services.....	(1,195,764)	(2,816,245)	(18,236,260)
Cash paid to employees for services.....	(632,410)	(567,022)	(11,174,349)
Cash paid to claimants.....	-	-	-
Other operating revenues.....	-	-	3,737,892
Other operating expenses.....	-	-	-
<b>Net cash provided (used) by operating activities.....</b>	<b>1,031,761</b>	<b>(385,359)</b>	<b>(4,370,515)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Operating transfers.....	-	-	4,759,619
Interfund loans.....	(484,726)	422,351	27,687
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>(484,726)</b>	<b>422,351</b>	<b>4,787,306</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets.....	(658,681)	(36,992)	(416,901)
Proceeds from sale of capital assets.....	111,646	-	110
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b>(547,035)</b>	<b>(36,992)</b>	<b>(416,791)</b>
<b>Cash Flows From Investing Activities:</b>			
Interest earned on investments.....	-	-	-
<b>Net cash provided by investing activities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at July 1.....	0	0	0
<b>Cash and cash equivalents at June 30.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss).....	\$ (298,134)	\$ (230,950)	\$ (5,795,395)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation.....	922,525	14,953	83,185
(Increase)decrease in accounts receivable.....	391,584	(60,167)	(25,547)
(Increase)decrease in due from other funds.....	-	-	-
(Increase)decrease in inventory.....	-	(136,090)	-
(Increase)decrease in prepaid expenses.....	(688)	76,962	-
Increase(decrease) in accounts payable.....	3,801	(47,442)	1,323,406
Increase(decrease) in accrued salaries and benefits.....	12,673	(2,625)	79,380
Increase(decrease) in claims payable.....	-	-	-
Increase(decrease) in due to other funds.....	-	-	(35,544)
Increase(decrease) in deferred revenue.....	-	-	-
<b>Total adjustments.....</b>	<b>1,329,895</b>	<b>(154,409)</b>	<b>1,424,880</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ 1,031,761</b>	<b>\$ (385,359)</b>	<b>\$ (4,370,515)</b>

<b>Property Management Fund</b>	<b>Equipment Revolving Fund</b>	<b>State Resource Management Fund</b>	<b>State Surplus Property Fund</b>	<b>State Liability Insurance Fund</b>
\$ 11,152,704	\$ 398,212	\$ 3,518	\$ 1,131,177	\$ 3,602,044
(10,208,742)	(2,251,686)	(164,840)	(1,225,430)	(1,182,800)
(1,288,543)	-	-	(58,236)	(223,905)
-	-	-	-	(1,056,976)
6,860	-	-	111,834	-
-	-	-	-	-
<b>(337,721)</b>	<b>(1,853,474)</b>	<b>(161,322)</b>	<b>(40,655)</b>	<b>1,138,363</b>
(2,494,912)	-	161,322	-	-
2,832,633	1,853,474	-	-	-
<b>337,721</b>	<b>1,853,474</b>	<b>161,322</b>	<b>0</b>	<b>0</b>
-	-	-	-	-
-	-	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
-	-	-	-	354,919
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>354,919</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>(40,655)</b>	<b>1,493,282</b>
0	0	0	107,950	9,772,456
<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 67,295</b>	<b>\$ 11,265,738</b>
\$ (78,004)	\$ 0	\$ -	\$ (46,534)	\$ 2,409,033
1,753	-	-	46	-
(324,074)	(1,859,033)	(162,164)	(12,614)	(53,338)
51,500	-	-	-	-
-	-	-	(254)	-
(2,669)	-	-	-	-
(21,982)	5,559	-	17,355	1,396
35,755	-	-	1,092	-
-	-	-	-	(1,219,855)
-	-	842	-	1,127
-	-	-	254	-
<b>(259,717)</b>	<b>(1,853,474)</b>	<b>(161,322)</b>	<b>5,879</b>	<b>(1,270,670)</b>
<b>\$ (337,721)</b>	<b>\$ (1,853,474)</b>	<b>\$ (161,322)</b>	<b>\$ (40,655)</b>	<b>\$ 1,138,363</b>

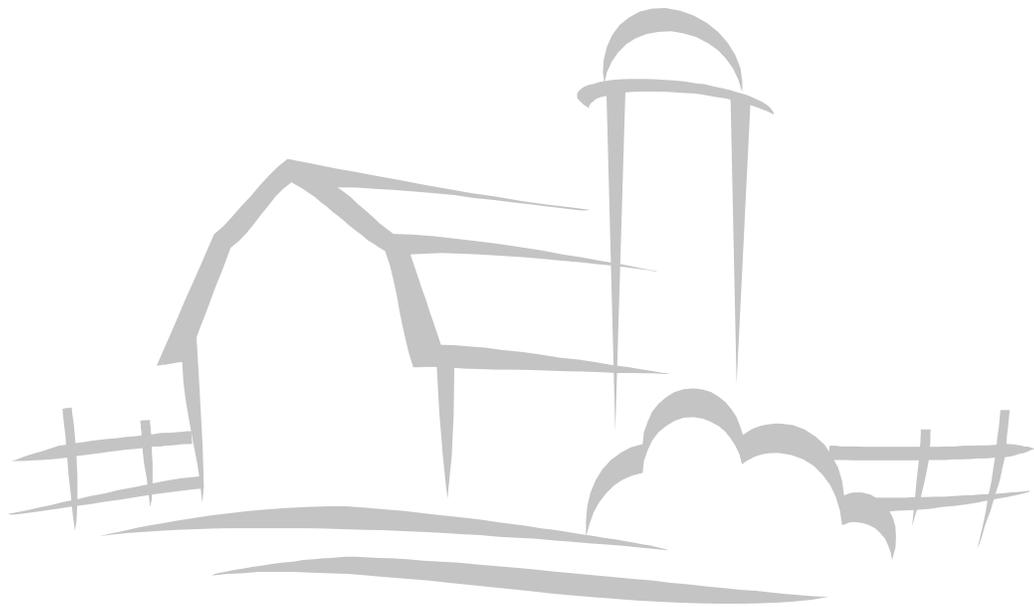
Continued on next page ---->

STATE OF VERMONT  
 COMBINING STATEMENT OF CASH FLOWS, Continued  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Risk Management - All Other Fund	Workers Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers.....	\$ 2,509,759	\$ 8,282,681	\$ 94,673,968	\$ 5,816,575
Cash paid to suppliers for goods and services.....	(2,419,654)	(777,299)	(9,786,518)	(322,355)
Cash paid to employees for services.....	(76,527)	(996,221)	(963,479)	(29,648)
Cash paid to claimants.....	-	(5,726,127)	(90,034,981)	(5,023,647)
Other operating revenues.....	-	-	36,424	100
Other operating expenses.....	-	-	-	-
<b>Net cash provided (used) by operating activities.....</b>	<b>13,578</b>	<b>783,034</b>	<b>(6,074,586)</b>	<b>441,025</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Operating transfers.....	(58,431)	-	-	-
Interfund loans.....	44,853	-	-	-
<b>Net cash provided (used) by noncapital financing activities.....</b>	<b>(13,578)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets.....	-	-	-	-
Proceeds from sale of capital assets.....	-	-	-	-
<b>Net cash provided (used) by capital and related financing activities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flows From Investing Activities:</b>				
Interest earned on investments.....	-	558,663	620,194	42,253
<b>Net cash provided by investing activities.....</b>	<b>0</b>	<b>558,663</b>	<b>620,194</b>	<b>42,253</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>0</b>	<b>1,341,697</b>	<b>(5,454,392)</b>	<b>483,278</b>
Cash and cash equivalents at July 1.....	0	13,915,732	19,818,463	848,269
<b>Cash and cash equivalents at June 30.....</b>	<b>\$ 0</b>	<b>\$ 15,257,429</b>	<b>\$ 14,364,071</b>	<b>\$ 1,331,547</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss).....	\$ 131,476	\$ (224,332)	\$ (4,609,836)	\$ 451,276
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation.....	-	-	-	-
(Increase)decrease in accounts receivable.....	(117,272)	122	(154,687)	6,051
(Increase)decrease in due from other funds.....	-	(312)	-	-
(Increase)decrease in inventory.....	-	-	-	-
(Increase)decrease in prepaid expenses.....	-	-	-	-
Increase(decrease) in accounts payable.....	189	(13,930)	(258,564)	(3,664)
Increase(decrease) in accrued salaries and benefits.....	-	31,527	6,330	(2,539)
Increase(decrease) in claims payable.....	-	989,959	460,279	(10,099)
Increase(decrease) in due to other funds.....	(815)	-	-	-
Increase(decrease) in deferred revenue.....	-	-	(1,518,108)	-
<b>Total adjustments.....</b>	<b>(117,898)</b>	<b>1,007,366</b>	<b>(1,464,750)</b>	<b>(10,251)</b>
<b>Net cash provided (used) by operating activities.....</b>	<b>\$ 13,578</b>	<b>\$ 783,034</b>	<b>\$ (6,074,586)</b>	<b>\$ 441,025</b>

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
\$ 1,614,809	\$ 204,711	\$ 248,229	\$ 198,999,794
(2,015,106)	(187,879)	(244,259)	(76,183,213)
(11,657)	-	-	(28,160,610)
-	-	-	(101,841,731)
-	-	-	4,240,039
-	-	-	(218,168)
<b>(411,954)</b>	<b>16,832</b>	<b>3,970</b>	<b>(3,163,889)</b>
-	-	-	3,323,925
-	-	-	4,280,911
<b>0</b>	<b>0</b>	<b>0</b>	<b>7,604,836</b>
-	-	-	(9,332,672)
-	-	-	765,623
<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,567,049)</b>
25,262	-	-	1,601,291
<b>25,262</b>	<b>0</b>	<b>0</b>	<b>1,601,291</b>
<b>(386,692)</b>	<b>16,832</b>	<b>3,970</b>	<b>(2,524,811)</b>
626,350	16,611	65,854	46,192,729
<b>\$ 239,658</b>	<b>\$ 33,443</b>	<b>\$ 69,824</b>	<b>\$ 43,667,918</b>
<b>\$ (413,127)</b>	<b>\$ 17,106</b>	<b>\$ 1,707</b>	<b>\$ (9,027,911)</b>
-	-	-	7,100,243
(1,601)	(395)	(374)	(2,706,698)
-	-	-	35,232
-	-	-	(230,109)
-	-	-	95,677
3,485	121	2,637	2,344,614
(711)	-	-	326,367
-	-	-	220,284
-	-	-	111,343
-	-	-	(1,432,931)
<b>1,173</b>	<b>(274)</b>	<b>2,263</b>	<b>5,864,022</b>
<b>\$ (411,954)</b>	<b>\$ 16,832</b>	<b>\$ 3,970</b>	<b>\$ (3,163,889)</b>

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

**Vermont State Retirement Fund** – This is the public pension plan provided by the State of Vermont for State employees.

**Vermont State Defined Contribution Fund** – This is a retirement plan for those State employees that are not eligible for the Vermont State Retirement System.

**Vermont State Postemployment Benefits Trust Fund** – This fund's purpose is to accumulate and provide reserves to support retiree postemployment benefits for members of the Vermont state employees' retirement system.

**State Teachers' Retirement Fund** – This is the public pension plan provided by the state of Vermont for State teachers.

**Single Deposit Investment Account Fund** – This is a tax sheltered account funded through employee transfers from a non-contributing system.

**Vermont Municipal Employees' Retirement Fund** – This is the public pension plan provided by the State of Vermont for participating municipalities' employees.

**Vermont Municipal Employees' Defined Contribution Fund** – This is a retirement plan for those participating municipalities' employees not eligible for the Vermont Municipal Employees' Retirement Fund.

**STATE OF VERMONT  
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS  
COMBINING STATEMENTS OF PLAN NET ASSETS  
JUNE 30, 2007**

	<b>Vermont State Retirement Fund</b>	<b>Vermont State Defined Contribution Fund</b>	<b>Vermont State Postemployment Benefits Trust Fund</b>
<b>Assets:</b>			
Cash and short term investments.....	\$ 112,032,818	\$ 300,236	\$ 1,890,996
Receivables:			
Contributions - current.....	3,256,579	136,316	-
Contributions non-current.....	-	-	-
Interest and dividends.....	7,307,272	6,177	-
Investments sold.....	181,154,265	-	-
Due from other funds.....	26,384	-	319,878
Other.....	-	-	-
Total receivables.....	<u>191,744,500</u>	<u>142,493</u>	<u>319,878</u>
Investments at Fair value:			
Fixed income.....	509,727,481	-	-
Equities.....	592,290,513	-	-
Real estate and venture capital.....	86,958,042	-	-
Mutual funds.....	143,133,711	40,970,920	-
Total investments.....	<u>1,332,109,747</u>	<u>40,970,920</u>	<u>0</u>
Prepaid expenses.....	<u>1,278,127</u>	<u>21,066</u>	<u>-</u>
<b>Capital Assets:</b>			
Construction in progress.....	<u>627,199</u>	<u>-</u>	<u>-</u>
Total capital assets.....	<u>627,199</u>	<u>-</u>	<u>-</u>
<b>Total assets.....</b>	<b><u>1,637,792,391</u></b>	<b><u>41,434,715</u></b>	<b><u>2,210,874</u></b>
<b>Liabilities:</b>			
Payable for investments purchased.....	244,233,294	-	-
Accounts payable.....	1,060,475	6,097	-
Retainage payable.....	80,502	-	-
Due to other funds.....	-	26,384	-
Total liabilities.....	<u>245,374,271</u>	<u>32,481</u>	<u>0</u>
<b>Net assets held in trust for employees' pension and other postemployment benefits.....</b>	<b><u>\$ 1,392,418,120</u></b>	<b><u>\$ 41,402,234</u></b>	<b><u>\$ 2,210,874</u></b>

See Independent Auditor's Report.

<b>State Teachers' Retirement Fund</b>	<b>Single Deposit Investment Account Fund</b>	<b>Vermont Municipal Employees' Retirement Fund</b>	<b>Vermont Municipal Employees' Defined Contribution Fund</b>	<b>Total Pension Trust Funds</b>
\$ 113,441,597	\$ 10,107,757	\$ 36,034,007	\$ 51,091	\$ 273,858,502
2,667,082	-	2,241,821	8,799	8,310,597
-	-	10,773,134	-	10,773,134
7,920,588	648,364	2,255,197	34	18,137,632
203,633,308	-	42,027,434	-	426,815,007
-	-	-	-	346,262
319,617	-	-	-	319,617
<b>214,540,595</b>	<b>648,364</b>	<b>57,297,586</b>	<b>8,833</b>	<b>464,702,249</b>
515,883,494	96,816,009	126,027,558	-	1,248,454,542
763,708,294	-	132,151,845	-	1,488,150,652
129,764,068	-	22,505,574	-	239,227,684
168,435,550	-	34,011,769	13,104,242	399,656,192
<b>1,577,791,406</b>	<b>96,816,009</b>	<b>314,696,746</b>	<b>13,104,242</b>	<b>3,375,489,070</b>
1,178,148	-	-	-	2,477,341
718,984	-	183,570	-	1,529,753
718,984	-	183,570	-	1,529,753
<b>1,907,670,730</b>	<b>107,572,130</b>	<b>408,211,909</b>	<b>13,164,166</b>	<b>4,118,056,915</b>
259,222,549	18,295,600	60,070,058	-	581,821,501
1,176,797	-	259,693	201	2,503,263
98,366	-	41,685	-	220,553
-	-	-	-	26,384
<b>260,497,712</b>	<b>18,295,600</b>	<b>60,371,436</b>	<b>201</b>	<b>584,571,701</b>
<b>\$ 1,647,173,018</b>	<b>\$ 89,276,530</b>	<b>\$ 347,840,473</b>	<b>\$ 13,163,965</b>	<b>\$ 3,533,485,214</b>

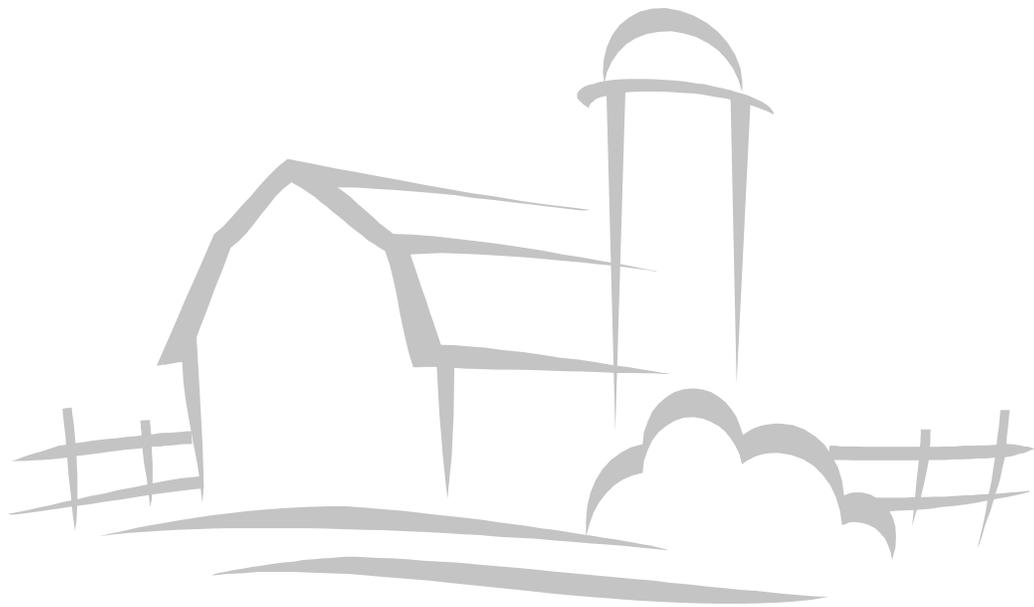
STATE OF VERMONT  
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Vermont State Retirement Fund	Vermont State Defined Contribution Fund	Vermont State Postemployment Benefit Trust Fund
<b>Additions :</b>			
<u>Contributions</u>			
Employer.....	\$ 39,297,002	\$ 1,941,685	\$ 2,209,843
Plan member.....	15,456,692	683,782	-
Transfers from other pension trust funds..	199,993	152,965	-
Transfers from non-state systems.....	5,328	9,449	-
Medicare part D drug subsidy.....	-	-	-
<b>Total contributions.....</b>	<b>54,959,015</b>	<b>2,787,881</b>	<b>2,209,843</b>
<u>Investment Income:</u>			
Net appreciation (depreciation) in fair value of investments.....	150,144,794	3,577,166	-
Dividends.....	15,649,401	2,147,154	-
Interest income.....	30,068,619	14,467	1,031
Securities lending income.....	748,949	-	-
Other income.....	1,031,161	-	-
<b>Total investment income.....</b>	<b>197,642,924</b>	<b>5,738,787</b>	<b>1,031</b>
<u>Less Investment Expenses:</u>			
Investment managers and consultants....	4,802,825	554	-
Securities lending expenses.....	214,820	-	-
<b>Total investment expenses.....</b>	<b>5,017,645</b>	<b>554</b>	<b>0</b>
<b>Net investment income.....</b>	<b>192,625,279</b>	<b>5,738,233</b>	<b>1,031</b>
<b>Total additions.....</b>	<b>247,584,294</b>	<b>8,526,114</b>	<b>2,210,874</b>
<b>Deductions:</b>			
Retirement benefits.....	58,859,659	2,539,106	-
Other post employment benefits.....	13,541,092	228,719	-
Refunds of contributions.....	1,229,497	-	-
Death claims.....	296,643	-	-
Transfers to other pension trust funds.....	344,721	-	-
Operating expenses.....	511,434	-	-
<b>Total deductions.....</b>	<b>74,783,046</b>	<b>2,767,825</b>	<b>0</b>
<b>Change in net assets.....</b>	<b>172,801,248</b>	<b>5,758,289</b>	<b>2,210,874</b>
<b>Net assets held in trust for employees' pension and other postemployment benefits:</b>			
July 1 .....	1,219,616,872	35,643,945	0
June 30.....	<b>\$ 1,392,418,120</b>	<b>\$ 41,402,234</b>	<b>\$ 2,210,874</b>

See Independent Auditor's Report.

State Teachers' Retirement Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Retirement Fund	Vermont Municipal Employees' Defined Contribution Fund	Total Pension Funds
\$ 37,341,609	\$ -	\$ 8,535,396	\$ 571,438	\$ 89,896,973
22,533,479	-	9,769,882	571,335	49,015,170
544,849	-	206,101	4,731	1,108,639
393,569	-	-	44,432	452,778
1,154,801	-	-	-	1,154,801
<b>61,968,307</b>	<b>0</b>	<b>18,511,379</b>	<b>1,191,936</b>	<b>141,628,361</b>
197,150,904	667,890	35,623,661	1,159,839	388,324,254
19,781,365	-	3,590,973	649,036	41,817,929
30,913,355	4,895,955	8,393,540	3,131	74,290,098
865,428	427,880	169,185	-	2,211,442
1,537,916	16,999	239,842	196,212	3,022,130
<b>250,248,968</b>	<b>6,008,724</b>	<b>48,017,201</b>	<b>2,008,218</b>	<b>509,665,853</b>
5,563,372	355,119	1,331,293	-	12,053,163
248,383	-	48,548	-	511,751
<b>5,811,755</b>	<b>355,119</b>	<b>1,379,841</b>	<b>0</b>	<b>12,564,914</b>
<b>244,437,213</b>	<b>5,653,605</b>	<b>46,637,360</b>	<b>2,008,218</b>	<b>497,100,939</b>
<b>306,405,520</b>	<b>5,653,605</b>	<b>65,148,739</b>	<b>3,200,154</b>	<b>638,729,300</b>
74,368,306	9,958,378	7,969,703	352,646	154,047,798
13,040,783	-	-	-	26,810,594
1,287,544	-	1,186,942	-	3,703,983
337,596	-	202,641	-	836,880
203,445	-	560,473	-	1,108,639
817,051	-	687,382	27,763	2,043,630
<b>90,054,725</b>	<b>9,958,378</b>	<b>10,607,141</b>	<b>380,409</b>	<b>188,551,524</b>
<b>216,350,795</b>	<b>(4,304,773)</b>	<b>54,541,598</b>	<b>2,819,745</b>	<b>450,177,776</b>
<b>1,430,822,223</b>	<b>93,581,303</b>	<b>293,298,875</b>	<b>10,344,220</b>	<b>3,083,307,438</b>
<b>\$ 1,647,173,018</b>	<b>\$ 89,276,530</b>	<b>\$ 347,840,473</b>	<b>\$ 13,163,965</b>	<b>\$ 3,533,485,214</b>

***THIS PAGE INTENTIONALLY LEFT BLANK***



*Vermont*

---

**Agency Funds' Descriptions**

**Retirement System Contributions and Withholdings Fund** – This fund holds the employees' retirement contributions and withholdings until distribution to the appropriate pension fund.

**Federal Income Tax Withholdings Fund** – This fund holds employees' federal income tax withholdings until they are paid to the Federal Government.

**State Income Tax Withholdings Fund** – This fund holds employees' state income tax withholdings are held until they are paid to the State.

**Social Security Tax Contributions and Withholdings Fund** – This is the fund where employees' FICA withholdings are held until they are paid to the Federal Government.

**Employees Credit Union Withholding Fund** – This is the fund where employees voluntary withholdings to pay off Vermont State Employees' Credit Union (VSECU) loans or deposits to VSECU accounts (other than net pay) are held until paid to the VSECU.

**Employees Insurance Contributions and Withholdings Fund** – This is the fund where the State and the State's employees' share of the insurance premiums is held until distribution to the appropriate internal service fund.

**Employees Deferred Income Withholdings Fund** – This is the fund where the employees' voluntary deferred income withholdings are held until paid to the program administrator.

**Other Employee Contributions and Withholdings Fund** – This is the fund where other withholdings and contributions (charitable, savings bonds, flexible spending, etc) are held until paid to the appropriate depository.

**Unidentified Receipts Fund** – Many receipts ultimately get split into several funds, the Unidentified Fund is used to deposit the money immediately; later the receipt is reconciled and transferred to the correct fund.

**Vendor and Other Deposits Fund** – This is the fund where escrow amounts, advances, garnishments and other miscellaneous agency funds are reported.

**Child Support Collections Fund** – This is the fund where child support receipts are held until paid to the correct recipient.

**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<b>RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 1,915	\$ 55,536,531	\$ 55,538,446	\$ -
Accounts receivable.....	3,075	258	3,075	258
Total assets.....	<u>\$ 4,990</u>	<u>\$ 55,536,789</u>	<u>\$ 55,541,521</u>	<u>\$ 258</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 3,378	\$ 55,536,531	\$ 55,539,909	\$ -
Due to other funds.....	900	-	900	-
Interfund payable.....	712	258	712	258
Total liabilities.....	<u>\$ 4,990</u>	<u>\$ 55,536,789</u>	<u>\$ 55,541,521</u>	<u>\$ 258</u>
<b>FEDERAL INCOME TAX WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 179	\$ 50,231,352	\$ 50,226,456	\$ 5,075
Accounts receivable.....	1,891	-	1,891	-
Total assets.....	<u>\$ 2,070</u>	<u>\$ 50,231,352</u>	<u>\$ 50,228,347</u>	<u>\$ 5,075</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 179	\$ 50,231,352	\$ 50,226,456	\$ 5,075
Due to other funds.....	1,891	-	1,891	-
Total liabilities.....	<u>\$ 2,070</u>	<u>\$ 50,231,352</u>	<u>\$ 50,228,347</u>	<u>\$ 5,075</u>
<b>STATE INCOME TAX WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 14,300,029	\$ 14,300,029	\$ -
Due from other funds.....	1,778	-	1,778	-
Total assets.....	<u>\$ 1,778</u>	<u>\$ 14,300,029</u>	<u>\$ 14,301,807</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 14,300,029	\$ 14,300,029	\$ -
Due to other funds.....	558	-	558	-
Interfund payable.....	1,220	-	1,220	-
Total liabilities.....	<u>\$ 1,778</u>	<u>\$ 14,300,029</u>	<u>\$ 14,301,807</u>	<u>\$ -</u>
<b>SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 66,275,702	\$ 66,275,702	\$ -
Accounts receivable.....	26,211	-	26,211	-
Total assets.....	<u>\$ 26,211</u>	<u>\$ 66,275,702</u>	<u>\$ 66,301,913</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 66,275,702	\$ 66,275,702	\$ -
Due to other funds.....	1,108	-	1,108	-
Interfund payable.....	25,103	-	25,103	-
Total liabilities.....	<u>\$ 26,211</u>	<u>\$ 66,275,702</u>	<u>\$ 66,301,913</u>	<u>\$ -</u>
<b>EMPLOYEES CREDIT UNION WITHHOLDING FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 42,905,423	\$ 42,905,137	\$ 286
Total assets.....	<u>\$ -</u>	<u>\$ 42,905,423</u>	<u>\$ 42,905,137</u>	<u>\$ 286</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 42,905,423	\$ 42,905,137	\$ 286
Total liabilities.....	<u>\$ -</u>	<u>\$ 42,905,423</u>	<u>\$ 42,905,137</u>	<u>\$ 286</u>

See Independent Auditor's Report.

Continued on next page ---->

**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 87,251,050	\$ 87,251,050	\$ -
Accounts receivable.....	-	44	-	44
Total assets.....	<u>\$ -</u>	<u>\$ 87,251,094</u>	<u>\$ 87,251,050</u>	<u>\$ 44</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 87,251,050	\$ 87,251,050	\$ -
Interfund payable.....	-	44	-	44
Total liabilities.....	<u>\$ -</u>	<u>\$ 87,251,094</u>	<u>\$ 87,251,050</u>	<u>\$ 44</u>
<b>EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ -	\$ 15,991,347	\$ 15,991,247	\$ 100
Total assets.....	<u>\$ -</u>	<u>\$ 15,991,347</u>	<u>\$ 15,991,247</u>	<u>\$ 100</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ -	\$ 15,991,347	\$ 15,991,247	\$ 100
Total liabilities.....	<u>\$ -</u>	<u>\$ 15,991,347</u>	<u>\$ 15,991,247</u>	<u>\$ 100</u>
<b>OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 4,451	\$ 6,567,721	\$ 6,558,686	\$ 13,486
Accounts receivable.....	3	576	3	576
Due from other funds.....	29,877	50,450	29,877	50,450
Total assets.....	<u>\$ 34,331</u>	<u>\$ 6,618,747</u>	<u>\$ 6,588,566</u>	<u>\$ 64,512</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 4,451	\$ 6,567,721	\$ 6,558,686	\$ 13,486
Interfund payable.....	29,880	51,026	29,880	51,026
Total liabilities.....	<u>\$ 34,331</u>	<u>\$ 6,618,747</u>	<u>\$ 6,588,566</u>	<u>\$ 64,512</u>
<b>UNIDENTIFIED RECEIPTS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 18,690	\$ 929,584,789	\$ 929,603,479	\$ -
Total assets.....	<u>\$ 18,690</u>	<u>\$ 929,584,789</u>	<u>\$ 929,603,479</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to other funds.....	\$ 18,690	\$ 929,584,789	\$ 929,603,479	\$ -
Total liabilities.....	<u>\$ 18,690</u>	<u>\$ 929,584,789</u>	<u>\$ 929,603,479</u>	<u>\$ -</u>

Continued on next page ---->

**STATE OF VERMONT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<b>VENDOR AND OTHER DEPOSITS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 6,423,107	\$ 29,148,186	\$ 30,182,437	\$ 5,388,856
Taxes receivable.....	639,377	1,315,207	639,377	1,315,207
Accounts receivable.....	94,913	622,150	648,171	68,892
Total assets.....	<u>\$ 7,157,397</u>	<u>\$ 31,085,543</u>	<u>\$ 31,469,985</u>	<u>\$ 6,772,955</u>
<b>LIABILITIES</b>				
Amounts held in custody for others.....	\$ 3,247,088	\$ 10,501,984	\$ 11,005,096	\$ 2,743,976
Due to other funds.....	506,627	747,395	529,995	724,027
Intergovernmental payable other governments.....	2,535,212	15,886,747	16,246,603	2,175,356
Other liabilities.....	754,201	2,611,040	2,304,923	1,060,318
Interfund payable.....	114,269	69,278	114,269	69,278
Total liabilities.....	<u>\$ 7,157,397</u>	<u>\$ 29,816,444</u>	<u>\$ 30,200,886</u>	<u>\$ 6,772,955</u>
<b>CHILD SUPPORT COLLECTIONS FUND</b>				
<b>ASSETS</b>				
Cash.....	\$ 570,440	\$ 56,291,749	\$ 56,410,361	\$ 451,828
Accounts receivable.....	-	9,219	-	9,219
Total assets.....	<u>\$ 570,440</u>	<u>\$ 56,300,968</u>	<u>\$ 56,410,361</u>	<u>\$ 461,047</u>
<b>LIABILITIES</b>				
Due to other funds.....	\$ -	\$ -	\$ -	\$ -
Intergovernmental payable - other governments.....	-	-	-	-
Amount held in custody for others.....	570,440	56,300,968	56,410,361	461,047
Total liabilities.....	<u>\$ 570,440</u>	<u>\$ 56,300,968</u>	<u>\$ 56,410,361</u>	<u>\$ 461,047</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash.....	\$ 7,018,782	\$ 1,354,083,879	\$ 1,355,243,030	\$ 5,859,631
Accounts receivable.....	126,093	632,247	679,351	78,989
Taxes receivable.....	639,377	1,315,207	639,377	1,315,207
Due from other funds.....	31,655	50,450	31,655	50,450
Total assets.....	<u>\$ 7,815,907</u>	<u>\$ 1,356,081,783</u>	<u>\$ 1,356,593,413</u>	<u>\$ 7,304,277</u>
<b>LIABILITIES</b>				
Due to depositories.....	\$ 8,008	\$ 339,059,155	\$ 339,048,216	\$ 18,947
Due to other funds.....	529,774	930,332,184	930,137,931	724,027
Amounts held in custody for others.....	3,817,528	66,802,952	67,415,457	3,205,023
Intergovernmental payable other governments.....	2,535,212	15,886,747	16,246,603	2,175,356
Other liabilities.....	754,201	2,611,040	2,304,923	1,060,318
Interfund payable.....	171,184	120,606	171,184	120,606
Total liabilities.....	<u>\$ 7,815,907</u>	<u>\$ 1,354,812,684</u>	<u>\$ 1,355,324,314</u>	<u>\$ 7,304,277</u>

**Vermont Economic Development Authority** – This is a tax-exempt entity whose purpose is to promote economic prosperity within the State of Vermont by providing capital and direct financing to eligible borrowers.

**Vermont Housing & Conservation Board** – This is a not for profit entity whose mission is to create affordable housing for Vermonters and to conserve and protect agricultural, historic, natural and recreational sites within Vermont.

**Vermont Sustainable Jobs Fund** – This is a not for profit entity set up to implement a jobs program.

**Vermont Municipal Bond Bank** – The Bond Bank's purpose is to create large bond issues on behalf of the States' municipalities and loan the proceeds back to the participating municipalities.

**Vermont Educational and Health Buildings Financing Agency** – This purpose of this agency is to provide tax-exempt financing to libraries, educational and healthcare providers to assist in the purchase and construction of real and personal property.

**Vermont Center for Geographic Information, Inc.** – This not for profit organization was created to implement and maintain a geographic information system.

**Vermont Veterans' Home** – The Vet's home provides care to those that have given to their country and the State of Vermont.

**Vermont Rehabilitation Corporation** – This not for profit organization's purpose is to provide funding to farmers to reduce their investment costs in an effort to help them be successful.

**Vermont Film Corporation** - This is a non-profit public corporation, created for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions.

STATE OF VERMONT  
 COMBINING STATEMENT OF NET ASSETS  
 NON-MAJOR COMPONENT UNITS  
 June 30, 2007

	Vermont Economic Development Authority 06/30/2007	Vermont Housing & Conservation Board 06/30/2007	Vermont Sustainable Jobs Fund 06/30/2007	Vermont Municipal Bond Bank 12/31/2006
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents.....	\$ 10,447,802	\$ 12,877,396	\$ 146,468	\$ 1,524,225
Investments.....	19,936,971	-	-	7,997,904
Accounts receivable (net).....	-	-	-	27,055
Accrued interest receivable - loans.....	285,763	13,841,256	-	2,280,285
Loans and notes receivable - current portion.....	7,332,051	23,993	-	38,346,291
Other receivables.....	-	55,122	3,250	-
Due from federal government.....	-	12,980,532	-	-
Due from primary government.....	300,000	-	-	-
Inventories (at cost).....	-	-	-	-
Other current assets.....	560,549	-	2,648	-
<b>Total current assets.....</b>	<b>38,863,136</b>	<b>39,778,299</b>	<b>152,366</b>	<b>50,175,760</b>
Restricted and Non-Current Assets:				
Cash.....	-	-	-	733,791
Investments.....	767,695	-	-	46,031,846
Deferred bond issue costs.....	-	-	-	5,745,341
Loans and notes receivable (net).....	91,113,425	96,241,476	-	392,838,603
Other assets.....	-	-	-	-
<b>Total restricted &amp; noncurrent assets.....</b>	<b>91,881,120</b>	<b>96,241,476</b>	<b>0</b>	<b>445,349,581</b>
Capital Assets:				
Land.....	-	-	-	-
Construction in process.....	-	-	-	-
Building and leasehold improvements.....	2,260,175	-	-	-
Equipment, furniture and fixtures.....	575,066	62,442	9,229	-
Accumulated depreciation.....	(366,765)	(61,297)	(6,742)	-
<b>Total capital assets, net of depreciation.....</b>	<b>2,468,476</b>	<b>1,145</b>	<b>2,487</b>	<b>0</b>
<b>Total assets.....</b>	<b>133,212,732</b>	<b>136,020,920</b>	<b>154,853</b>	<b>495,525,341</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities.....	612,744	262,856	4,255	-
Accrued interest payable.....	921,322	-	-	-
Bond interest payable.....	-	-	-	1,811,519
Deferred revenue.....	-	-	97,409	-
Current portion of long-term liabilities.....	89,289,140	-	-	44,594,545
Due to primary government.....	27,226	3,768,230	-	-
Escrowed cash deposits.....	157,332	-	-	-
Other current liabilities.....	1,130,332	8,890,213	-	-
<b>Total current liabilities.....</b>	<b>92,138,096</b>	<b>12,921,299</b>	<b>101,664</b>	<b>46,406,064</b>
Restricted and Non-Current Liabilities:				
Bonds and notes payable.....	5,621,167	512,191	-	430,263,257
Accrued arbitrage rebate.....	-	-	-	1,000,600
Other liabilities.....	-	-	-	26,100
<b>Total liabilities payable from restricted assets.....</b>	<b>5,621,167</b>	<b>512,191</b>	<b>0</b>	<b>431,289,957</b>
<b>Total liabilities.....</b>	<b>97,759,263</b>	<b>13,433,490</b>	<b>101,664</b>	<b>477,696,021</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	1,049,740	1,145	2,487	-
Restricted.....	3,058,874	122,485,607	-	8,250,198
Unrestricted - designated.....	-	-	-	-
Unrestricted.....	31,344,855	100,678	50,702	9,579,122
<b>Total net assets.....</b>	<b>\$ 35,453,469</b>	<b>\$ 122,587,430</b>	<b>\$ 53,189</b>	<b>\$ 17,829,320</b>

<b>Vermont Educational and Health Buildings Financing Agency 12/31/2006</b>	<b>Vermont Center For Geographic Information, Inc. 06/30/2007</b>	<b>Vermont Veterans' Home 06/30/2007</b>	<b>Vermont Rehabilitation Corporation 06/30/2007</b>	<b>Vermont Film Corporation 06/30/2007</b>	<b>Total Non-major Component Units</b>
\$ 5,436	\$ 139,078	\$ 2,240,433	\$ 72,697	\$ 48,467	\$ 27,502,002
1,206,309	-	-	-	-	29,141,184
-	15,536	1,521,124	-	99	1,563,814
-	-	-	4,037	-	16,411,341
-	-	-	16,779	-	45,719,114
-	-	-	-	-	58,372
-	-	306,424	-	-	13,286,956
-	-	-	-	-	300,000
-	-	108,693	-	-	108,693
-	8,028	-	-	-	571,225
<b>1,211,745</b>	<b>162,642</b>	<b>4,176,674</b>	<b>93,513</b>	<b>48,566</b>	<b>134,662,701</b>
-	-	-	-	-	733,791
-	-	-	-	-	46,799,541
-	-	-	-	-	5,745,341
-	-	-	128,221	-	580,321,725
-	-	5,137	-	-	5,137
<b>0</b>	<b>0</b>	<b>5,137</b>	<b>128,221</b>	<b>0</b>	<b>633,605,535</b>
-	-	313,608	-	-	313,608
-	-	949,558	-	-	949,558
-	-	12,925,482	-	-	15,185,657
-	119,742	2,285,165	-	-	3,051,644
-	(99,784)	(11,381,022)	-	-	(11,915,610)
<b>0</b>	<b>19,958</b>	<b>5,092,791</b>	<b>0</b>	<b>0</b>	<b>7,584,857</b>
<b>1,211,745</b>	<b>182,600</b>	<b>9,274,602</b>	<b>221,734</b>	<b>48,566</b>	<b>775,853,093</b>
26,157	39,152	1,448,768	-	-	2,393,932
-	-	-	-	-	921,322
-	-	-	-	-	1,811,519
-	5,969	15,977	-	-	119,355
-	-	-	-	-	133,883,685
-	-	-	-	-	3,795,456
-	-	-	-	-	157,332
-	-	4,002	-	-	10,024,547
<b>26,157</b>	<b>45,121</b>	<b>1,468,747</b>	<b>0</b>	<b>0</b>	<b>153,107,148</b>
-	-	-	-	-	436,396,615
-	-	-	-	-	1,000,600
-	-	4,684	-	-	30,784
<b>0</b>	<b>0</b>	<b>4,684</b>	<b>0</b>	<b>0</b>	<b>437,427,999</b>
<b>26,157</b>	<b>45,121</b>	<b>1,473,431</b>	<b>0</b>	<b>0</b>	<b>590,535,147</b>
-	19,958	5,092,791	-	-	6,166,121
-	-	-	-	-	133,794,679
-	30,000	-	-	-	30,000
1,185,588	87,521	2,708,380	221,734	48,566	45,327,146
<b>\$ 1,185,588</b>	<b>\$ 137,479</b>	<b>\$ 7,801,171</b>	<b>\$ 221,734</b>	<b>\$ 48,566</b>	<b>\$ 185,317,946</b>

**STATE OF VERMONT  
COMBINING STATEMENT OF ACTIVITIES  
NON-MAJOR COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>Function/Program</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Vermont Economic Development Authority.....	\$ 9,438,503	\$ 6,446,367	\$ 482,210	\$ -	\$ (2,509,926)
Vermont Housing & Conservation Board.....	18,104,020	-	11,308,118	-	(6,795,902)
Vermont Sustainable Jobs Fund.....	589,550	23,413	568,869	-	2,732
Vermont Municipal Bond Bank.....	24,853,388	22,045,148	-	-	(2,808,240)
Vermont Educational and Health Buildings Financing Agency.....	340,062	298,580	-	-	(41,482)
Vermont Center for Geographic Information, Inc.....	872,687	541,911	336,685	-	5,909
Vermont Veterans' Home.....	16,239,745	15,030,392	950,252	929,391	670,290
Vermont Rehabilitation Corporation.....	-	-	-	-	-
Vermont Film Corporation.....	207,671	-	225,000	-	17,329
<b>Total non-major component units.....</b>	<b>\$ 70,645,626</b>	<b>\$ 44,385,811</b>	<b>\$ 13,871,134</b>	<b>\$ 929,391</b>	<b>(11,459,290)</b>

General Revenues:

Property transfer tax.....	13,763,883
Investment income.....	6,043,532
Miscellaneous.....	546,525
<b>Total general revenues.....</b>	<b>20,353,940</b>

Changes in net assets.....	8,894,650
Net assets - beginning.....	176,423,296

Net assets - ending.....	<b>\$ 185,317,946</b>
--------------------------	-----------------------

**STATISTICAL SECTION CONTENTS  
JUNE 30, 2007**

The Statistical Section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the State of Vermont's overall financial health. Below is a summary of the components and purpose of the tables provided in this section.

**Financial Trends** – Tables 1 through 4

These schedules contain trend information extracted from the State's financial statements, to help the reader understand how the State's financial performance and financial position have changed over time.

**Revenue Capacity** – Tables 5 through 7

These schedules contain information to help the reader assess the State's most significant revenue source – the personal income tax.

**Debt Capacity** – Tables 8 and 9

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, the State's ability to issue additional debt in the future, and related historical trend data.

**Demographic and Economic Information** – Tables 10 and 11

These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

**Operating Indicators** – Tables 12 through 14

These schedules contain service levels and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides to its citizens and visitors.

This information is unaudited.

**STATE OF VERMONT**  
**Statistical Section - Table 1**  
**Financial Trends**  
**Net Assets by Component, Last Six Fiscal Years\***  
*(accrual basis of accounting)*

	<b>2007</b>	<b>2006</b>
<b>Primary Government:</b>		
<b>Governmental Activities</b>		
Invested in capital assets, net of related debt.....	\$ 1,161,200,173	\$ 1,080,092,389
Restricted.....	143,355,279	167,489,838
Unrestricted.....	(27,414,383)	(85,683,901)
Total governmental activities net assets.....	\$ 1,277,141,069	\$ 1,161,898,326
 <b>Business-type Activities</b>		
Invested in capital assets, net of related debt.....	\$ 412,181	\$ 371,942
Restricted.....	194,832,088	209,321,179
Unrestricted.....	3,742,941	4,014,732
Total business-type activities net assets.....	\$ 198,987,210	\$ 213,707,853
 <b>Primary Government Totals</b>		
Invested in capital assets, net of related debt.....	\$ 1,161,612,354	\$ 1,080,464,331
Restricted.....	338,187,367	376,811,017
Unrestricted.....	(23,671,442)	(81,669,169)
Total primary government net assets.....	\$ 1,476,128,279	\$ 1,375,606,179
 <b>Discretely Presented Component Units</b>		
Invested in capital assets, net of related debt.....	\$ 165,900,933	\$ 165,430,751
Restricted.....	606,079,880	516,629,098
Unrestricted.....	231,293,329	239,323,346
Total discretely presented units net assets.....	\$ 1,003,274,142	\$ 921,383,195

\* Net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,055,464,625	\$ 1,001,388,886	\$ 928,020,928	\$ 783,951,377
111,942,593	121,352,328	90,217,671	94,309,980
(69,649,499)	(67,098,959)	(169,421,307)	(52,608,139)
<u>\$ 1,097,757,719</u>	<u>\$ 1,055,642,255</u>	<u>\$ 848,817,292</u>	<u>\$ 825,653,218</u>
\$ 483,635	\$ 464,618	\$ 533,770	\$ 504,762
227,855,775	238,547,672	264,989,370	314,711,238
3,845,924	3,529,815	3,122,083	3,606,744
<u>\$ 232,185,334</u>	<u>\$ 242,542,105</u>	<u>\$ 268,645,223</u>	<u>\$ 318,822,744</u>
\$ 1,055,948,260	\$ 1,001,883,504	\$ 928,554,698	\$ 784,456,139
339,798,368	359,900,100	355,207,041	409,021,218
(65,803,575)	(63,569,144)	(166,299,224)	(49,001,395)
<u>\$ 1,329,943,053</u>	<u>\$ 1,298,214,460</u>	<u>\$ 1,117,462,515</u>	<u>\$ 1,144,475,962</u>
\$ 171,458,877	\$ 151,213,394	\$ 154,068,373	\$ 159,352,039
470,244,961	446,997,871	404,226,821	364,794,162
215,838,933	205,624,698	182,059,839	177,586,817
<u>\$ 857,542,771</u>	<u>\$ 803,835,963</u>	<u>\$ 740,355,033</u>	<u>\$ 701,733,018</u>

**STATE OF VERMONT**  
**Statistical Section - Table 2**  
**Financial Trends**  
**Changes in Net Assets, Last Six Fiscal Years\***  
*(accrual basis of accounting)*

	<u>2007</u>	<u>2006</u>
<b>Governmental activities:</b>		
Expenses:		
General government.....	\$ 114,687,717	\$ 110,054,915
Protection to persons & property.....	255,620,540	233,163,452
Human services.....	1,518,969,474	1,445,867,889
Employment & training.....	24,739,704	21,154,243
General education.....	1,622,441,379	1,555,673,656
Natural resources.....	85,900,684	82,814,307
Commerce & community development.....	31,946,826	32,251,500
Transportation.....	307,899,295	301,625,876
Public service enterprises.....	1,890,030	1,994,246
Interest on long-term debt.....	20,072,137	21,046,866
<b>Total expenses.....</b>	<b><u>3,984,167,786</u></b>	<b><u>3,805,646,950</u></b>
Program revenues:		
Charges for services:		
General government.....	\$ 52,384,238	\$ 46,748,777
Protection to persons & property.....	115,546,052	97,700,416
Human services.....	14,806,660	33,474,522
Natural resources.....	23,077,637	23,868,138
Transportation.....	86,295,037	74,645,995
Other.....	7,511,061	4,789,438
Operating grants & contributions.....	1,083,831,907	1,072,041,991
Capital grants & contributions.....	167,180,872	128,657,913
<b>Total program revenues.....</b>	<b><u>1,550,633,464</u></b>	<b><u>1,481,927,190</u></b>
<b>Total governmental activities net program expense.....</b>	<b><u>(2,433,534,322)</u></b>	<b><u>(2,323,719,760)</u></b>
<b>General revenues and other changes in net assets:</b>		
Taxes:		
Personal and corporate income.....	\$ 679,886,186	\$ 612,565,565
Sales and use.....	332,314,113	327,074,633
Meals and rooms.....	116,888,579	111,570,407
Purchase and use.....	80,590,615	80,987,232
Motor fuel.....	65,426,866	67,579,632
Statewide property.....	878,714,663	813,588,165
Other taxes.....	331,016,679	317,186,837
Unrestricted investment earnings.....	11,285,923	7,426,303
Tobacco litigation settlement.....	24,985,722	24,056,870
Miscellaneous.....	3,431,989	2,276,594
Transfers.....	24,235,730	23,548,129
Extraordinary item:		
Gain (loss) on forgiveness of debt.....	-	-
<b>Total general revenues and other changes in net assets.....</b>	<b><u>2,548,777,065</u></b>	<b><u>2,387,860,367</u></b>
<b>Total governmental activities change in net assets.....</b>	<b><u>\$ 115,242,743</u></b>	<b><u>\$ 64,140,607</u></b>

\* Changes in net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments."

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 130,521,043	\$ 98,474,432	\$ 51,573,621	\$ 87,431,591
213,426,040	196,013,649	186,817,842	173,208,802
1,392,265,594	1,299,865,739	1,185,924,153	1,046,568,774
20,582,854	26,290,402	27,906,916	25,972,322
1,446,411,207	1,149,533,015	1,096,988,222	1,035,750,817
78,421,902	72,892,394	69,459,648	71,367,475
35,651,341	29,862,767	33,849,108	36,782,068
269,066,282	251,788,690	236,214,373	257,519,692
1,649,863	1,898,161	1,897,774	2,001,936
19,306,820	22,590,740	26,358,563	23,549,404
<b><u>3,607,302,946</u></b>	<b><u>3,149,209,989</u></b>	<b><u>2,916,990,220</u></b>	<b><u>2,760,152,881</u></b>
\$ 59,498,045	\$ 44,679,001	\$ 11,603,365	\$ 9,699,360
78,017,142	81,275,686	79,397,311	73,459,483
20,716,612	22,778,569	30,390,548	24,892,193
24,437,759	20,829,414	18,962,892	24,057,234
69,299,051	68,373,760	63,778,498	54,870,144
4,355,367	7,762,062	7,518,156	8,780,996
1,032,577,419	1,096,788,598	935,183,708	831,069,156
130,645,583	113,007,095	116,022,645	144,363,660
<b><u>1,419,546,978</u></b>	<b><u>1,455,494,185</u></b>	<b><u>1,262,857,123</u></b>	<b><u>1,171,192,226</u></b>
<b><u>(2,187,755,968)</u></b>	<b><u>(1,693,715,804)</u></b>	<b><u>(1,654,133,097)</u></b>	<b><u>(1,588,960,655)</u></b>
\$ 568,058,897	\$ 496,301,917	\$ 404,947,697	\$ 429,430,661
312,395,227	264,336,818	205,205,492	217,685,005
111,979,770	109,914,847	95,354,842	100,622,918
84,046,573	86,363,011	82,089,177	79,455,165
67,334,972	68,654,068	71,257,920	69,223,434
732,330,555	487,535,603	453,868,075	424,243,836
294,257,364	329,543,672	284,253,279	236,994,926
6,664,257	3,130,140	4,602,180	4,529,099
26,205,607	25,819,716	30,545,249	31,000,098
5,875,143	7,194,789	2,446,521	2,284,384
20,722,967	19,957,578	16,582,383	16,929,798
-	-	(7,500,000)	-
<b><u>2,229,871,332</u></b>	<b><u>1,898,752,159</u></b>	<b><u>1,643,652,815</u></b>	<b><u>1,612,399,324</u></b>
<b><u>\$ 42,115,364</u></b>	<b><u>\$ 205,036,355</u></b>	<b><u>\$ (10,480,282)</u></b>	<b><u>\$ 23,438,669</u></b>

continued on next page ---->

**STATE OF VERMONT**  
**Statistical Section - Table 2**  
**Financial Trends**  
**Changes in Net Assets, Last Six Fiscal Years\*, Continued**  
*(accrual basis of accounting)*

	<b>2007</b>	<b>2006</b>
<b>Business-type activities:</b>		
Expenses:		
Vermont Lottery Commission.....	\$ 81,224,645	\$ 82,262,856
Liquor Control.....	43,186,763	40,511,410
Unemployment Compensation.....	94,396,459	85,483,130
Other.....	2,936,606	2,948,294
<b>Total expenses.....</b>	<b>221,744,473</b>	<b>211,205,690</b>
Revenues:		
Charges for services:		
Vermont Lottery Commission.....	104,550,857	104,878,624
Liquor Control.....	43,994,124	41,480,297
Unemployment Compensation.....	70,821,223	57,428,204
Other.....	2,598,672	2,648,873
<b>Total program revenues.....</b>	<b>221,964,876</b>	<b>206,435,998</b>
<b>Total business-type activities net program expense</b>	<b>220,403</b>	<b>(4,769,692)</b>
<b>General revenues and other changes in net assets:</b>		
Unrestricted investment earnings.....	9,286,126	9,831,999
Miscellaneous.....	8,558	8,341
Capital asset transfers.....	-	-
Transfers.....	(24,235,730)	(23,548,129)
<b>Total other changes in net assets.....</b>	<b>(14,941,046)</b>	<b>(13,707,789)</b>
<b>Total business-type activities change in net assets.....</b>	<b>\$ (14,720,643)</b>	<b>\$ (18,477,481)</b>
<b>Total primary government change in net assets.....</b>	<b>\$ 100,522,100</b>	<b>\$ 45,663,126</b>
<b>Component units:</b>		
Expenses:		
Vermont Student Assistance Corporation.....	\$ 176,918,000	\$ 154,884,000
University of Vermont & State Agricultural College.....	505,403,000	453,127,000
Vermont State Colleges.....	141,662,574	135,102,593
Other.....	70,645,626	61,848,235
<b>Total expenses.....</b>	<b>894,629,200</b>	<b>804,961,828</b>
Program revenues:		
Charges for services:		
Vermont Student Assistance Corporation.....	\$ 106,540,000	\$ 84,537,000
University of Vermont & State Agricultural College.....	262,342,000	241,837,000
Vermont State Colleges.....	91,035,108	83,360,619
Other.....	44,385,811	41,440,876
Operating grants & contributions.....	343,609,242	335,394,901
Capital grants & contributions.....	19,093,518	10,651,167
<b>Total program revenues.....</b>	<b>867,005,679</b>	<b>797,221,563</b>
<b>Total governmental activities net program expense.....</b>	<b>(27,623,521)</b>	<b>(7,740,265)</b>
<b>General revenues and other changes in net assets:</b>		
Taxes	\$ 13,763,883	\$ 15,671,180
Unrestricted investment earnings.....	93,754,115	55,017,880
Other	1,504,400	891,629
Extraordinary Items:		
Gain (loss) on forgiveness of debt.....	-	-
Loss on extinguishment of debt.....	-	-
<b>Total general revenues and other changes in net assets.....</b>	<b>109,022,398</b>	<b>71,580,689</b>
<b>Total component units change in net assets.....</b>	<b>\$ 81,398,877</b>	<b>\$ 63,840,424</b>

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 71,719,711	\$ 72,319,680	\$ 63,650,809	\$ 65,590,029
38,155,229	36,236,080	34,357,279	33,311,074
79,967,905	99,549,897	130,315,726	88,557,267
3,872,621	2,726,827	3,026,310	2,823,430
<u>193,715,466</u>	<u>210,832,484</u>	<u>231,350,124</u>	<u>190,281,800</u>
92,599,609	92,389,082	79,412,447	82,000,455
39,209,269	36,665,547	34,254,147	33,118,564
57,249,620	58,540,541	63,633,038	66,441,794
2,919,253	2,603,675	2,920,076	2,825,694
<u>191,977,751</u>	<u>190,198,845</u>	<u>180,219,708</u>	<u>184,386,507</u>
<u>(1,737,715)</u>	<u>(20,633,639)</u>	<u>(51,130,416)</u>	<u>(5,895,293)</u>
12,388,648	14,502,200	18,011,637	19,964,380
(274,809)	15,899	2,646	295
(39,928)	-	-	-
<u>(20,722,967)</u>	<u>(19,957,578)</u>	<u>(16,582,383)</u>	<u>(16,929,798)</u>
<u>(8,649,056)</u>	<u>(5,439,479)</u>	<u>1,431,900</u>	<u>3,034,877</u>
<u>\$ (10,386,771)</u>	<u>\$ (26,073,118)</u>	<u>\$ (49,698,516)</u>	<u>\$ (2,860,416)</u>
<u>\$ 31,728,593</u>	<u>\$ 178,963,237</u>	<u>\$ (60,178,798)</u>	<u>\$ 20,578,253</u>
\$ 130,083,000	\$ 94,333,000	\$ 93,829,000	\$ 99,644,000
423,317,000	406,661,000	379,503,000	345,610,000
125,540,113	118,800,228	106,498,224	100,250,838
58,683,189	61,499,406	61,389,984	59,012,629
<u>737,623,302</u>	<u>681,293,634</u>	<u>641,220,208</u>	<u>604,517,467</u>
\$ 65,044,000	\$ 59,562,000	\$ 57,775,000	\$ 60,200,000
215,925,000	201,196,000	182,705,000	178,577,000
76,556,436	69,421,442	58,679,187	57,995,029
41,326,019	37,404,981	37,123,566	32,725,161
317,304,332	302,914,264	285,898,126	262,975,790
16,618,040	9,857,101	12,349,755	10,038,000
<u>732,773,827</u>	<u>680,355,788</u>	<u>634,530,634</u>	<u>602,510,980</u>
<u>(4,849,475)</u>	<u>(937,846)</u>	<u>(6,689,574)</u>	<u>(2,006,487)</u>
\$ 12,604,000	\$ 12,604,000	\$ 11,088,000	\$ 11,088,000
45,836,899	53,154,281	27,195,488	5,910,584
65,384	205,240	62,323	-
-	-	7,500,000	-
-	-	(755,815)	-
<u>58,506,283</u>	<u>65,963,521</u>	<u>45,089,996</u>	<u>16,998,584</u>
<u>\$ 53,656,808</u>	<u>\$ 65,025,675</u>	<u>\$ 38,400,422</u>	<u>\$ 14,992,097</u>

**STATE OF VERMONT**  
**Statistical Section - Table 3**  
**Financial Trends**  
**Fund Balances, Governmental Funds\***  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year			
	2007	2006	2005	2004
General Fund				
Reserved.....	\$ 94,972,963	\$ 93,133,111	\$ 95,058,522	\$ 92,751,312
Unreserved.....	68,056,829	68,316,939	68,609,646	61,974,484
Total General Fund.....	<u>\$ 163,029,792</u>	<u>\$ 161,450,050</u>	<u>\$ 163,668,168</u>	<u>\$ 154,725,796</u>
All Other Governmental Funds				
Reserved.....	\$ 70,650,210	\$ 79,807,902	\$ 63,821,409	\$ 61,817,802
Unreserved, reported in:				
Special revenue funds.....	160,165,603	156,102,410	127,908,578	143,967,418
Capital projects funds.....	26,294,481	22,096,858	20,816,577	36,362,811
Permanent funds.....	11,546,644	9,636,760	4,413,943	1,790,948
Total all other governmental funds.....	<u>\$ 268,656,938</u>	<u>\$ 267,643,930</u>	<u>\$ 216,960,507</u>	<u>\$ 243,938,979</u>

\* Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," was implemented by the State in fiscal year 2002. Permanent funds and certain special revenue funds were reported as fiduciary trust funds prior to this implementation. Amounts for fiscal years 2001 and earlier have not been restated to reclassify these funds.

<b>Fiscal Year</b>					
<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
\$ 52,690,713	\$ 51,695,723	\$ 86,174,465	\$ 114,149,646	\$ 82,033,240	\$ 66,062,983
47,061,962	97,898,194	86,583,269	54,991,249	53,860,810	24,511,850
<u>\$ 99,752,675</u>	<u>\$ 149,593,917</u>	<u>\$ 172,757,734</u>	<u>\$ 169,140,895</u>	<u>\$ 135,894,050</u>	<u>\$ 90,574,833</u>
\$ 46,533,226	\$ 54,367,194	\$ 35,353,352	\$ 36,275,097	\$ 18,986,974	\$ 12,013,684
66,061,162	82,458,887	94,681,498	94,568,979	105,124,935	69,199,129
37,299,263	51,798,769	22,363,376	22,526,489	20,181,684	19,584,303
1,705,584	1,518,780	-	-	-	-
<u>\$ 151,599,235</u>	<u>\$ 190,143,630</u>	<u>\$ 152,398,226</u>	<u>\$ 153,370,565</u>	<u>\$ 144,293,593</u>	<u>\$ 100,797,116</u>

**STATE OF VERMONT**  
**Statistical Section - Table 4**  
**Financial Trends**  
**Changes in Fund Balances, Governmental Funds\***  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year			
	2007	2006	2005	2004
<b>REVENUES:</b>				
Taxes.....	\$ 2,460,570,749	\$ 2,337,341,048	\$ 2,160,130,972	\$ 1,831,301,567
Fees.....	70,221,353	52,813,029	58,290,625	46,613,828
Sales of services, rents and leases.....	13,723,675	13,455,255	13,250,908	14,211,562
Federal grants.....	1,243,957,617	1,195,618,641	1,149,686,863	1,195,394,472
Fines, forfeits and penalties.....	19,315,425	19,172,068	19,382,893	22,136,295
Investment income.....	17,316,519	11,468,734	7,905,566	4,579,721
Licenses.....	92,593,084	82,772,243	79,897,287	78,413,620
Special assessments.....	29,062,116	27,320,199	25,154,296	25,865,976
Other revenues.....	71,338,330	58,327,506	69,137,334	77,710,776
<b>Total revenues.....</b>	<b>4,018,098,868</b>	<b>3,798,288,723</b>	<b>3,582,836,744</b>	<b>3,296,227,817</b>
<b>EXPENDITURES:</b>				
General government.....	66,604,950	63,454,504	69,637,852	59,420,753
Protection to persons and property.....	247,732,080	227,084,839	222,239,431	200,556,219
Human services.....	1,521,057,433	1,433,190,205	1,397,574,415	1,298,524,173
Employment and training.....	24,487,881	21,090,488	20,946,037	26,193,011
General education.....	1,609,653,282	1,513,711,838	1,414,259,100	1,119,927,687
Natural resources.....	97,456,248	93,672,918	82,298,019	76,194,919
Commerce and community development.....	30,607,512	30,842,981	35,026,161	28,628,106
Transportation.....	379,347,072	321,421,189	310,061,273	289,728,406
Public service enterprises.....	1,890,030	1,994,246	1,649,863	1,898,161
Capital outlay.....	37,034,547	43,062,733	52,773,840	41,195,540
Debt service:				
Interest.....	23,032,806	21,958,988	22,004,546	27,213,333
Principal.....	46,097,158	45,272,088	45,348,153	43,620,613
<b>Total expenditures.....</b>	<b>4,085,000,999</b>	<b>3,816,757,017</b>	<b>3,673,818,690</b>	<b>3,213,100,921</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>(66,902,131)</b>	<b>(18,468,294)</b>	<b>(90,981,946)</b>	<b>83,126,896</b>
<b>Other financing sources (uses):</b>				
Proceeds from the sale of bonds.....	44,500,000	45,000,000	41,000,000	42,200,000
Proceeds from the sale of refunding bonds.....	-	-	23,267,099	146,554,448
Premium on sale of bonds.....	305,058	744,195	93,445	1,838,750
Payment to bond escrow agent.....	-	-	(22,431,596)	(146,071,943)
Premium on sale of short-term notes.....	-	-	-	-
Residual equity transfer.....	-	-	-	-
Transfers in.....	1,092,592,826	1,155,078,201	478,209,945	438,309,704
Transfers out.....	(1,067,903,003)	(1,133,888,797)	(447,193,047)	(418,644,990)
<b>Total other financing sources (uses).....</b>	<b>69,494,881</b>	<b>66,933,599</b>	<b>72,945,846</b>	<b>64,185,969</b>
<b>Extraordinary item:</b>				
Loss on forgiveness of debt.....	-	-	-	-
<b>Net change in fund balances.....</b>	<b>\$ 2,592,750</b>	<b>\$ 48,465,305</b>	<b>\$ (18,036,100)</b>	<b>\$ 147,312,865</b>
 Debt service as a percentage of noncapital expenditures*.....	 1.77%	 1.83%	 1.91%	 2.31%

\* The State implemented Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," in fiscal year 2002. Prior to this, the State did not maintain information necessary for computing debt service as a percentage of noncapital expenditures in the governmental funds. Additionally, prior to fiscal year 2002, certain special revenue funds and the permanent funds were reported as fiduciary funds; amounts for years prior to 2002 have not been restated to include data for those funds in this table.

Fiscal Year					
2003	2002	2001	2000	1999	1998
\$ 1,615,244,889	\$ 1,600,725,756	\$ 1,590,021,858	\$ 1,529,512,665	\$ 1,092,581,137	\$ 981,170,111
47,770,289	36,708,774	36,193,167	34,442,295	33,416,275	30,723,658
14,031,691	15,613,693	11,044,242	17,481,955	15,821,046	18,155,472
1,036,188,776	964,141,863	849,190,708	847,344,627	752,470,334	690,679,253
15,150,570	14,209,581	9,449,787	10,489,734	8,953,403	7,373,244
5,561,830	6,883,583	12,813,248	11,548,738	9,410,231	7,216,805
71,827,369	66,126,632	70,037,167	67,484,136	63,399,886	61,237,739
22,454,287	21,629,014	12,797,215	9,329,929	7,581,026	32,768,035
85,137,810	78,526,877	43,052,988	39,170,217	43,597,589	34,210,995
<b>2,913,367,511</b>	<b>2,804,565,773</b>	<b>2,634,600,380</b>	<b>2,566,804,296</b>	<b>2,027,230,927</b>	<b>1,863,535,312</b>
56,610,063	71,394,584	91,208,675	72,377,387	72,582,300	130,983,914
184,257,770	174,438,289	141,541,764	134,520,793	126,537,008	113,904,695
1,200,628,758	1,064,306,490	910,389,884	910,137,339	824,563,158	771,326,892
27,904,668	26,285,028	25,999,908	27,631,323	25,997,774	23,926,899
1,067,249,406	1,021,058,900	894,781,354	893,172,183	492,704,507	315,650,561
84,602,070	86,309,386	86,780,546	88,148,291	76,188,643	67,002,990
32,963,605	34,094,561	34,941,291	30,920,684	40,875,808	32,808,072
284,978,570	311,109,113	294,277,972	267,400,584	246,716,884	229,415,218
1,897,774	2,001,936	1,257,308	1,272,134	1,517,976	1,505,472
40,702,096	34,727,809	12,132,666	4,971,000	1,304,778	5,630,110
23,687,879	23,804,098	23,310,944	23,525,283	23,597,102	24,256,578
49,526,115	45,410,549	50,585,000	51,330,000	48,470,000	45,695,000
<b>3,055,008,774</b>	<b>2,894,940,743</b>	<b>2,567,207,312</b>	<b>2,505,407,001</b>	<b>1,981,055,938</b>	<b>1,762,106,401</b>
<b>(141,641,263)</b>	<b>(90,374,970)</b>	<b>67,393,068</b>	<b>61,397,295</b>	<b>46,174,989</b>	<b>101,428,911</b>
35,800,000	51,000,000	-	37,000,000	34,285,000	111,160,293
31,555,000	-	-	-	-	-
2,413,804	123,348	-	-	-	-
(33,778,426)	-	-	-	-	(77,051,213)
678,750	-	-	-	-	-
-	-	-	-	(4,200,000)	-
401,290,002	347,614,574	357,861,384	350,741,856	381,552,402	176,004,209
(382,222,560)	(326,202,917)	(422,024,569)	(406,939,405)	(368,996,697)	(276,159,878)
<b>55,736,570</b>	<b>72,535,005</b>	<b>(64,163,185)</b>	<b>(19,197,549)</b>	<b>42,640,705</b>	<b>(66,046,589)</b>
(2,204,948)	-	-	-	-	-
<b>\$ (88,109,641)</b>	<b>\$ (17,839,965)</b>	<b>\$ 3,229,883</b>	<b>\$ 42,199,746</b>	<b>\$ 88,815,694</b>	<b>\$ 35,382,322</b>
2.59%	2.49%	not available	not available	not available	not available

**STATE OF VERMONT**  
**Statistical Section - Table 5**  
**Revenue Capacity**  
**Personal Income and Earnings by Major Industry**  
**Last Ten Calendar Years**  
*(Expressed in Thousands)*

	<u>2007 (1)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Total personal income</b>	<b>\$ 22,580,000</b>	<b>\$ 21,601,346</b>	<b>\$ 20,323,602</b>	<b>\$ 19,749,931</b>
Earnings	16,353,000	15,778,057	15,231,862	14,600,139
Farm earnings	141,000	85,170	167,816	160,649
Non-farm earnings	16,212,000	15,692,887	15,064,046	14,439,490
Private earnings	13,252,000	12,822,804	12,324,069	11,845,698
Forestry, fishing, related activities	72,000	72,328	68,104	66,056
Mining	54,000	50,444	42,812	44,717
Utilities	236,000	227,524	224,997	216,255
Construction	1,206,000	1,192,234	1,136,454	1,051,438
Manufacturing	2,467,000	2,391,990	2,370,452	2,300,838
Durable goods	1,858,000	1,789,896	1,766,332	1,734,012
Nondurable goods	609,000	602,094	604,120	566,826
Wholesale trade	656,000	634,530	602,547	589,436
Retail trade	1,339,000	1,324,270	1,295,557	1,250,504
Transportation and warehousing	386,000	377,140	370,427	354,781
Information	313,000	325,005	322,765	329,367
Finance and insurance	813,000	744,381	725,501	692,457
Real estate and rental and leasing	213,000	213,559	214,048	226,593
Professional and technical services	1,240,000	1,221,559	1,096,575	1,011,992
Management of companies and enterprises	26,000	23,409	23,374	21,027
Administrative and waste services	360,000	341,050	328,236	322,597
Education services	487,000	463,332	437,350	422,911
Healthcare and social assistance	2,100,000	1,980,457	1,863,137	1,762,216
Arts, entertainment, and recreation	141,000	136,816	127,837	124,374
Accommodation and food services	664,000	643,406	624,873	617,887
Other services, except public administration	479,000	459,370	449,023	440,252
Government and government enterprises	2,960,000	2,870,083	2,739,977	2,593,792
Federal, civilian	538,000	525,850	505,092	489,308
Military	141,000	146,643	159,686	151,223
State and local	2,281,000	2,197,590	2,075,199	1,953,261
State	N/A	945,292	889,776	834,499
Local	N/A	1,252,298	1,185,423	1,118,762
Other personal income (2)	6,227,000	5,823,289	5,091,740	5,149,792
Average effective tax rate (4)	N/A	2.56%	2.50%	2.35%

(1) Data for 2007 are projected annual estimates based on information through 2007 second quarter.

(2) Includes non-earned income, such as interest and dividends, rental income, and government transfers to individuals.

(3) Data for this category is not reported, but estimates are included in totals.

(4) Total direct tax rate is not available. Average effective tax rate equals personal income tax collections (see Statistical Section Table 6) divided by total personal income. Source of collections data: Vermont Department of Taxes

**Source: U.S. Department of Commerce, Bureau of Economic Analysis**

<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>\$ 18,711,004</b>	<b>\$ 18,051,034</b>	<b>\$ 17,741,649</b>	<b>\$ 16,883,009</b>	<b>\$ 15,649,530</b>	<b>\$ 14,787,819</b>
13,716,038	13,168,932	12,836,041	12,233,555	11,333,031	10,593,782
121,197	102,249	144,132	163,349	152,763	136,807
13,594,841	13,066,683	12,691,909	12,070,206	11,180,268	10,456,975
11,164,373	10,833,222	10,615,549	10,138,954	9,375,880	8,742,236
70,675	72,301	81,546	82,464	72,730	68,639
45,273	45,363	56,394	42,171	41,377	36,774
184,273	180,410	173,022	148,896	153,360	153,325
935,867	892,098	873,099	815,398	731,956	648,483
2,244,054	2,296,120	2,444,748	2,326,913	2,124,210	2,011,817
1,700,400	1,762,594	1,874,462	1,702,701	1,541,312	1,477,835
543,654	533,526	570,286	624,212	582,898	533,982
579,517	545,095	513,671	469,019	433,176	411,053
1,196,790	1,163,703	1,105,382	1,037,447	979,532	915,373
318,324	317,510	303,475	312,272	294,770	281,462
321,490	(3)	308,245	284,388	269,132	260,847
670,135	623,462	599,022	566,660	528,951	486,481
207,680	200,243	187,050	159,588	159,148	125,531
934,631	893,434	893,740	893,421	837,977	752,719
19,086	18,512	19,085	101,539	101,360	110,350
278,438	274,840	271,335	255,315	244,595	232,144
387,953	372,840	345,156	325,002	303,404	275,969
1,650,456	1,558,098	1,418,212	1,281,660	1,165,802	1,070,869
116,223	108,960	104,585	108,359	108,644	96,786
585,229	563,900	535,780	539,090	486,076	462,164
418,279	(3)	382,002	389,352	339,680	341,450
2,430,468	2,233,461	2,076,360	1,931,252	1,804,388	1,714,739
443,729	409,354	377,833	369,785	332,327	325,207
142,754	99,041	79,440	72,931	69,105	64,080
1,843,985	1,725,066	1,619,087	1,488,536	1,402,956	1,325,452
786,315	737,053	693,004	615,363	573,038	540,066
1,057,670	988,013	926,083	873,173	829,918	785,386
4,994,966	4,882,102	4,905,608	4,649,454	4,316,499	4,194,037
2.22%	2.22%	2.26%	2.49%	2.55%	2.47%

**STATE OF VERMONT**  
**Statistical Section - Table 6**  
**Revenue Capacity**  
**Personal Income Tax Rates and Tax Collections**  
**Last Ten Calendar Years**

Calendar Year	Tax Rates for Taxable Income Within Range, Single Filing Status (1)					Tax Collections (000s)	Personal Income (4) (000s)	Average Effective Tax Rate
	3.6%	7.2%	8.5%	9.0%	9.5%			
2007	\$0 - \$31,850	\$31,851 - \$77,100	\$77,101 - \$160,850	\$160,851 - \$349,700	> \$349,700	N/A	\$ 22,580,000	N/A
2006	\$0 - \$30,650	\$30,651 - \$74,200	\$74,201 - \$154,800	\$154,801 - \$336,550	> \$336,550	\$ 552,055	\$ 21,601,346	2.56%
2005	\$0 - \$29,700	\$29,701 - \$71,950	\$71,951 - \$150,150	\$150,151 - \$326,450	> \$326,450	\$ 507,701	\$ 20,323,602	2.50%
2004	\$0 - \$29,050	\$29,051 - \$70,350	\$70,351 - \$146,750	\$146,751 - \$319,100	> \$319,100	\$ 463,755	\$ 19,749,931	2.35%
2003	\$0 - \$28,400	\$28,401 - \$68,800	\$68,801 - \$143,500	\$143,501 - \$311,950	> \$311,950	\$ 415,020	\$ 18,711,004	2.22%
2002	\$0 - \$27,950	\$27,951 - \$67,700	\$67,701 - \$141,250	\$141,251 - \$307,050	> \$307,050	\$ 400,120	\$ 18,051,034	2.22%
2001 (2)	\$0 - \$27,050	\$27,051 - \$65,550	\$65,551 - \$136,750	\$136,751 - \$297,350	> \$297,350	\$ 400,522	\$ 17,741,649	2.26%
2000 (3)						\$ 420,355	\$ 16,883,009	2.49%
1999 (3)						\$ 399,800	\$ 15,649,530	2.55%
1998 (3)						\$ 365,617	\$ 14,787,819	2.47%

N/A - Information not available at publication date.

(1) Different taxable income ranges apply to these rates for other filing statuses, including Married Filing Jointly, Married Filing Separately, Head of Household, etc.

(2) For 2001, the tax rates applied to the five income ranges for single status filers were 3.6%, 6.72%, 7.44%, 8.64%, and 9.5%, respectively.

(3) Prior to 2001, the State's personal income tax rate was a percentage of the filer's individual federal income tax liability, rather than being a separate rate applied to Vermont taxable income. These percentages were as follows: for 2000, 24% of federal taxes; for 1999 and prior, 25% of federal taxes.

(4) See Statistical Section Table 5 for additional detail regarding personal income.

**STATE OF VERMONT**  
**Statistical Section - Table 7**  
**Revenue Capacity**  
**Personal Income Tax Filers and Liability by Income Level**  
**Calendar Years 2006 and 1997**

<b>Calendar Year 2006<sup>1</sup></b>					
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income <sup>2</sup>	State Personal Income Tax (net) <sup>3</sup>	Percentage of Total State
\$300,000 and higher	2,113	0.60%	\$ 1,713,072,562	\$ 131,410,326	23.81%
\$150,000 - \$299,999	4,857	1.38%	969,855,353	61,779,259	11.19%
\$100,000 - \$149,999	8,230	2.34%	985,102,669	54,166,433	9.81%
\$75,000 - \$99,999	12,432	3.53%	1,063,501,964	52,285,484	9.47%
\$50,000 - \$74,999	30,783	8.75%	1,872,738,591	78,901,109	14.29%
\$25,000 - \$49,999	63,412	18.02%	2,284,398,541	83,668,496	15.16%
\$10,000 - \$24,999	63,707	18.10%	1,093,013,022	37,812,125	6.85%
\$9,999 and lower	118,720	33.74%	261,018,998	9,069,968	1.64%
Out of State	47,666	13.54%	14,215,987,363	42,961,895	7.78%
<b>Totals</b>	<b>351,920</b>	<b>100.00%</b>	<b>\$ 24,458,689,064</b>	<b>\$ 552,055,096</b>	<b>100.00%</b>

<b>Calendar Year 1997</b>					
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income <sup>2</sup>	State Personal Income Tax (net) <sup>3</sup>	Percentage of Total State
\$300,000 and higher	1,060	0.34%	\$ 795,348,624	\$ 54,950,218	16.04%
\$150,000 - \$299,999	2,394	0.78%	482,934,650	30,110,096	8.79%
\$100,000 - \$149,999	3,738	1.21%	448,218,850	24,668,708	7.20%
\$75,000 - \$99,999	5,549	1.80%	473,534,110	24,202,274	7.06%
\$50,000 - \$74,999	17,281	5.60%	1,036,237,152	47,449,276	13.85%
\$25,000 - \$49,999	54,441	17.64%	1,927,888,990	73,980,851	21.60%
\$10,000 - \$24,999	65,230	21.13%	1,100,785,538	39,519,387	11.53%
\$9,999 and lower	122,403	39.66%	314,450,690	12,244,586	3.57%
Out of State	36,543	11.84%	5,026,282,252	35,496,228	10.36%
<b>Totals</b>	<b>308,639</b>	<b>100.00%</b>	<b>\$ 11,605,680,856</b>	<b>\$ 342,621,624</b>	<b>100.00%</b>

<sup>1</sup> Information for Tax Year 2006 is preliminary data for returns processed through November 23, 2007.

<sup>2</sup> State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class.

<sup>3</sup> State Personal Income Tax is net of taxable income adjustments, Vermont credits and other tax credits.

**Source: Vermont Department of Taxes**

**STATE OF VERMONT**  
**Statistical Section - Table 8**  
**Debt Capacity**  
**Ratios of Outstanding Debt by Type, Last Ten Years**  
*(Expressed in Thousands, Except Per Capita)*

Fiscal Year	<u>Governmental Activities</u>				Total Primary Government	Ratio of Debt to Personal Income (2)	Debt Per Capita (3)
	General Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds (1)	Total General Obligation Bonds	Capital Leases			
2007	\$ 426,415	\$ 30,840	\$ 457,255	\$ 600	\$ 457,855	2.03%	N/A
2006	425,060	36,214	461,274	741	462,015	2.14%	\$ 741
2005	422,212	41,178	463,390	694	464,084	2.28%	746
2004	423,287	45,836	469,123	-	469,123	2.38%	756
2003	422,755	51,030	473,785	-	473,785	2.53%	766
2002	430,735	55,730	486,465	-	486,465	2.69%	789
2001	420,890	59,553	480,443	-	480,443	2.71%	784
2000	464,865	62,434	527,299	-	527,299	3.12%	864
1999	473,355	64,436	537,791	1,943	539,734	3.45%	893
1998	488,005	60,128	548,133	3,028	551,161	3.73%	918

(1) Net of Unaccreted Interest

(2) See Statistical Section Table 5 for additional detail regarding personal income.

(3) See Statistical Section Table 10 for population statistics.

Note: The State has no constitutional or other limit on its power to issue obligations or incur indebtedness except for the requirement that borrowing only be for public purposes.

**STATE OF VERMONT**  
**Statistical Section - Table 9**  
**Debt Capacity**  
**Ratios of General Obligation Bonded Debt Outstanding**  
**Last Ten Fiscal Years \***  
*(Expressed in Thousands, Except Per Capita)*

<b>Fiscal Year</b>	<b>General Obligation Bonded Debt</b>	<b>State Taxable Personal Income (1)</b>	<b>Ratio of General Bonded Debt to Taxable Personal Income</b>	<b>General Bonded Debt Per Capita (2)</b>
2006	\$ 461,274	\$ 24,458,689	1.89%	\$ 739
2005	463,390	23,609,221	1.96%	745
2004	469,123	19,956,789	2.35%	755
2003	473,785	16,395,915	2.89%	765
2002	486,465	15,083,109	3.23%	790
2001	480,443	16,026,774	3.00%	784
2000	527,299	15,030,104	3.51%	864
1999	537,791	14,837,850	3.62%	889
1998	548,133	14,063,383	3.90%	914
1997	518,286	11,605,681	4.47%	868

\* Most of the information for this table is not available for the 2007 year, so the data reported here is for the ten years 1997 - 2006.

(1) Source: Vermont Department of Taxes.

(2) See Statistical Section Table 10 for population statistics.

**STATE OF VERMONT**  
**Statistical Section - Table 10**  
**Demographic and Economic Statistics**  
**Population, Per Capita Personal Income, Civilian Labor Force,**  
**Public School Enrollment, and Motor Vehicle Registration Data**  
**Last Ten Years\***

Year	Population <sup>1</sup>			Per Capita Personal Income <sup>1</sup>			Vermont as a percentage of U.S.
	U.S.	Change From Prior Period	State of Vermont	Change From Prior Period	U.S.	State of Vermont	
2006	299,398,484	0.98%	623,908	0.24%	\$ 36,629	\$ 34,623	94.52%
2005	296,507,061	0.98%	622,387	0.26%	34,685	32,654	94.14%
2004	293,638,158	0.98%	620,795	0.35%	33,072	31,814	96.20%
2003	290,796,023	0.93%	618,616	0.39%	31,466	30,247	96.13%
2002	288,125,973	1.02%	616,236	0.55%	30,795	29,292	95.12%
2001	285,226,284	1.07%	612,882	0.47%	30,562	28,948	94.72%
2000	282,216,952	1.14%	609,986	0.88%	29,843	27,678	92.75%
1999	279,040,168	1.15%	604,683	0.71%	27,939	25,881	92.63%
1998	275,854,104	1.18%	600,416	0.53%	26,883	24,629	91.62%
1997	272,646,925	1.20%	597,239	0.51%	25,334	23,002	90.79%

\*Most of the information for this table is not available for the 2007 year, so the data reported here is for the ten years 1997 - 2006.

1. Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

2. Source: Local Area Unemployment Statistics, Vermont Department of Labor, Economic & Labor Market Information; Not Seasonally Adjusted.

3. Source: Vermont Department of Education, "Elementary/Secondary Public School Enrollment."

4. Source: Vermont Department of Motor Vehicles, All Registered Vehicle Types; includes autos, trucks, motorcycles, buses, state & municipal, and dealer vehicles; data is on a calendar year basis.

**Civilian Labor Force <sup>2</sup>**

<u>State Employed</u>	<u>State Unemployed</u>	<u>State Total</u>	<u>State Unemploy- ment Rate</u>	<u>Public School Enrollment <sup>3</sup></u>	<u>Motor Vehicles Registered <sup>4</sup></u>
348,000	13,000	361,000	3.6%	96,636	621,693
341,400	12,200	353,600	3.4%	98,361	617,642
337,700	13,000	350,700	3.7%	99,104	609,852
335,800	15,700	351,500	4.5%	99,978	601,748
333,700	14,000	347,700	4.0%	101,180	588,906
330,100	11,100	341,200	3.3%	102,049	577,406
326,700	9,100	335,800	2.7%	104,559	564,165
325,600	9,800	335,400	2.9%	105,120	550,698
321,600	10,300	331,900	3.1%	105,984	528,363
315,800	13,000	328,800	4.0%	106,341	524,711

**STATE OF VERMONT**  
**Statistical Section - Table 11**  
**Demographic and Economic Information**  
**Annual Average Non-Farm Employment By Industry**  
**for the Years 2006 and 1997**

	2006			1997		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
<b>Total non-farm employment</b>	<b>305,700</b>		<b>100.0%</b>	<b>279,250</b>		<b>100.0%</b>
<b>Private total</b>	<b>252,600</b>		<b>82.6%</b>	<b>233,550</b>		<b>83.6%</b>
Natural resources and mining	900		0.3%	1,000		0.4%
Construction	16,850	6	5.5%	12,850	6	4.6%
Manufacturing:						
Durable goods	26,400	4	8.6%	31,050	3	11.1%
Nondurable goods	10,400	9	3.4%	12,800	7	4.6%
Wholesale trade	10,100	10	3.3%	9,650	10	3.5%
Retail trade	40,450	2	13.2%	37,200	1	13.3%
Transportation, warehousing, and utilities	8,850		2.9%	8,550		3.1%
Information	6,250		2.0%	6,250		2.2%
Financial activities:						
Finance and insurance	9,950		3.3%	9,450		3.4%
Real estate and rental and leasing	3,300		1.1%	2,900		1.0%
Professional and business services:						
Professional and technical services	12,850	7	4.2%	10,150	9	3.6%
Management of companies and enterprises	300		0.1%	500		0.2%
Administrative and waste services	8,750		2.9%	7,700		2.8%
Educational and health services:						
Education services	12,450	8	4.1%	11,050	8	4.0%
Healthcare and social assistance	41,650	1	13.6%	31,450	2	11.3%
Leisure and hospitality:						
Arts, entertainment, and recreation	3,900		1.3%	2,700		1.0%
Accommodation and food services	29,300	3	9.6%	29,150	4	10.4%
Other services, except public administration	9,950		3.3%	9,150		3.3%
<b>Government total</b>	<b>53,100</b>		<b>17.4%</b>	<b>45,700</b>		<b>16.4%</b>
Federal	6,100		2.0%	5,400		1.9%
State government education	8,050		2.6%	6,900		2.5%
Local government education	22,300	5	7.3%	19,050	5	6.8%
Other state government	9,450		3.1%	8,200		2.9%
Other local government	7,200		2.4%	6,150		2.2%

**Source: Vermont Department of Labor, Labor Market Information, data release date 10/20/07**

Note - Data for specific businesses that comprise the top employers in the state is not available, due to confidentiality regulations; thus, information by industry is presented.

**STATE OF VERMONT**  
**Statistical Section - Table 12**  
**Operating Information**  
**Full-Time Equivalent State Government Employees by Function/Program**  
**Last Ten Years**

<u>Function/Program</u>	<u>2007<sup>4</sup></u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>General Government</b>										
Administration	4	4	4	3	11	12	12	12	9	10
Auditor of Accounts	11	11	11	12	12	12	10	11	13	12
Buildings & General Services	417	424	396	399	419	422	390	370	351	298
Finance & Management	37	39	36	38	32	35	30	32	27	29
Executive (Governor's) Office	18	17	17	17	16	19	18	18	19	19
Information & Innovation <sup>1</sup>	57	50	49	51	-	-	-	-	-	-
Libraries	31	34	34	34	34	33	34	37	35	35
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Human Resources (Personnel)	59	57	56	56	54	56	52	51	53	50
State Treasurer	36	37	34	33	29	30	29	30	27	26
Taxes	176	183	184	183	179	189	185	182	172	169
Vermont Labor Relations Board	2	2	2	2	2	2	2	2	2	2
VOSHA Review Board	1	1	1	1	1	1	1	1	1	1
<b>Protection to Persons &amp; Property</b>										
Agriculture, Food & Markets	96	95	89	87	81	85	84	85	84	82
Attorney General	69	72	68	67	62	69	57	62	45	47
BISHCA	108	105	99	93	89	84	83	87	81	81
Criminal Justice Training Council	10	10	11	8	6	7	8	8	7	6
Defender General	63	61	62	60	55	56	55	56	52	51
Labor & Industry <sup>2,3</sup>	n/a	n/a	43	85	82	82	77	79	77	75
Liquor Control	54	56	54	55	54	56	55	53	50	50
Military	117	118	109	111	104	112	101	101	103	103
Public Safety <sup>3</sup>	599	602	568	511	480	491	490	462	460	427
Public Service Dept.	52	49	47	51	51	51	50	51	47	49
Public Service Board	24	27	25	25	24	23	24	23	24	23
Secretary of State	52	51	48	50	46	43	47	48	43	45
State's Attorneys & Sheriffs	155	154	153	154	145	148	150	145	137	136
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	5	4
Vermont Lottery Commission	18	19	19	19	19	19	20	19	19	19
VT Fire Service Training Council <sup>2</sup>	n/a	n/a	n/a	7	8	8	7	7	5	4
<b>Human Services<sup>2</sup></b>										
Children & Families	947	941	932	n/a						
PATH	n/a	n/a	n/a	414	406	422	415	396	383	384
Office of Child Care	n/a	n/a	n/a	124	119	119	117	118	100	95
Social & Rehabilitation Services	n/a	n/a	n/a	400	377	398	384	380	346	347
Vt Office of Health Access	79	65	43	n/a						
Aging & Disability	288	275	268	216	201	196	186	177	156	146
Corrections	1,150	1,146	1,129	1,101	947	967	942	923	840	812
Economic Opportunity	n/a	n/a	n/a	6	8	8	9	9	8	9
Health	753	749	715	496	483	472	465	441	393	392
Developmental & MH Services	n/a	n/a	n/a	96	102	104	102	98	91	90
Vermont State Hospital	n/a	n/a	n/a	178	173	152	152	150	155	166
Human Services	95	89	59	54	52	61	57	64	62	62
Governor's Commission on Women	3	3	3	3	3	3	3	4	4	3
Veteran's Home (discrete component unit)	204	190	188	195	192	193	166	171	175	183
<b>Employment &amp; Training</b>										
Department of Labor <sup>3</sup>	276	281	250	290	315	324	325	351	341	328
<b>General Education</b>										
Department of Education	194	196	182	181	174	185	170	143	117	114
<b>Natural Resources</b>										
Environmental Board	29	30	29	31	30	32	32	28	29	31
Environmental Conservation	285	286	273	264	256	257	265	259	244	240
Fish & Wildlife	124	119	121	118	117	116	117	120	119	120
Forests, Parks & Recreation	113	113	111	119	115	118	120	118	118	116
Natural Resources	56	58	52	48	48	36	37	41	39	37
Water Resources Board	-	-	3	4	4	4	4	4	4	4
<b>Commerce &amp; Community Development</b>										
Agy of Commerce & Community Dev	97	93	101	95	92	98	100	95	94	134
<b>Transportation</b>										
Agency of Transportation	1,255	1,242	1,255	1,287	1,261	1,241	1,229	1,189	1,175	1,177
<b>Total</b>	<b>8,221</b>	<b>8,161</b>	<b>7,940</b>	<b>7,936</b>	<b>7,573</b>	<b>7,658</b>	<b>7,475</b>	<b>7,318</b>	<b>6,943</b>	<b>6,845</b>

<sup>1</sup> New department formed from consolidating GOVNet program (previously in Administration) and Communication & Information Technology program (previously in Buildings & General Services).

<sup>2</sup> In 2005 the Agency of Human Services reorganized with some department consolidations and other new departments established. Also in 2005 the Vermont Fire Service Training Council and portions of the Department of Labor and Industry were merged into the Department of Public Safety.

<sup>3</sup> In 2006 portions of the Department of Labor and Industry merged with the Department of Employment & Training and the new consolidated department was named the Department of Labor.

<sup>4</sup> Preliminary Data

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

**STATE OF VERMONT**  
**Statistical Section - Table 13**  
**Operating Information**  
**Operating Indicators by Function**  
**Last Four Years**

<b>Function</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>General Government</b>				
Sq ft of State owned facilities <sup>1</sup>	3,928,255	3,377,476	3,035,161	3,118,618
State Pension Plan Membership <sup>2</sup>	44,015	43,171	42,097	41,424
# of State Employees (full-time and part-time) <sup>3</sup>	8,352	8,292	8,069	7,935
<b>Protection to Persons &amp; Property<sup>4</sup></b>				
# of State Agency Law Enforcement Officers	N/A	569	405	393
# of Sherrifs Dept Law Enforcement Officers	N/A	132	133	117
<b>Human Services<sup>5</sup></b>				
Total Corrections Population	11,703	12,303	13,528	13,824
% Kindergartners Fully Immunized	92.7	95.5	92.8	97.9
Bed nights in Homeless Shelters	N/A	96,786	101,647	100,028
<b>Employment &amp; Training<sup>6</sup></b>				
# of Unemployment Compensation Payments	N/A	304,612	295,674	309,121
<b>General Education<sup>7</sup></b>				
Statewide average expenditure per Student	N/A	12,624	11,759	11,113
Total Local Education Agencies	N/A	353	351	349
<b>Natural Resources</b>				
Gallons of Maple Syrup Production <sup>8</sup>	450,000	460,000	410,000	500,000
# of Moose Permit Applications <sup>9</sup>	N/A	11,987	13,091	13,382
<b>Commerce &amp; Community Development</b>				
# of new Employer Business <sup>10</sup>	N/A	1,957	1,911	2,322
Median Purchase Price of New Home <sup>11</sup>	N/A	197,000	182,000	165,000
# of Skier Visits <sup>12</sup>	3.8 Million	4.1 Million	4.4 Million	4.2 Million
<b>Transportation<sup>13</sup></b>				
Total Plowing Hours	N/A	123,674	339,987	182,690
Structurally Deficient Bridges	N/A	197	193	187
Paving Projects Mileage	127*	122	90	117

N/A - Information not available at time of printing

\* Proposed

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.

**Sources:**

<sup>1</sup> VT Department of Buildings & General Services, Space Book

<sup>2</sup> VT Office of the State Treasurer

<sup>3</sup> VT Department of Human Resources

<sup>4</sup> VT Department of Public Safety

<sup>5</sup> VT Agency of Human Services

<sup>6</sup> VT Department of Labor & Industry

<sup>7</sup> VT Department of Education

<sup>8</sup> US Department of Agriculture

<sup>9</sup> VT Agency of Natural Resources

<sup>10</sup> sba.gov

<sup>11</sup> housingawareness.org

<sup>12</sup> skivermont.com

<sup>13</sup> VT Agency of Transportation

**STATE OF VERMONT**  
**Statistical Section - Table 14**  
**Operating Information**  
**Capital Asset Statistics by Function**  
**Last Four Years**

<u>Function</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Government</b>				
Dept of Buildings & General Services:				
Land holdings (acres)	2,923.90	2,915.90	2,851.12	2,981.68
State-owned space (square feet)	3,928,255	3,377,476	3,035,161	3,118,618
<b>Protection to Persons &amp; Property</b>				
Number of state police vehicles	412	413	383	376
Number of armory locations	20	20	20	20
Number of agriculture research stations	27	25	23	20
<b>Human Services</b>				
Dept of Health - Number of lab instruments (analyzer, module, counters, meters, etc.)	105	85	71	N/A
Dept of Children & Families - Number of vans	25	23	23	23
Department of Corrections - Number of vehicles	11	11	11*	85
<b>Employment &amp; Training</b>				
Department of Labor - Number of capitalized computer assets	10	29	27	27
<b>General Education</b>				
Department of Education - Number of capitalized computer assets	16	16	12	10
<b>Natural Resources</b>				
Number of dams	96	94	93	88
Agency of Natural Resources:				
Number of vehicles	221	204	309	345
Number of buildings	430	423	410	405
<b>Commerce &amp; Community Development</b>				
Number of historic sites	17	16	17	17
Number of covered bridges	6	7	6	6
Number of underwater preserves	100+	100+	100+	100+
<b>Transportation</b>				
Number of bridges over 20 feet	1077	1077	1,077	1,072
State highway miles	2,708	2,708	2,708	2,704
Agency of Transportation - buildings (square feet)	1,289,171	1,250,673	1,233,099	1,226,781

\* During FY05 most vehicles were transferred to the new Fleet Program

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.